Daily Report

Latin America

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FBIS-LAT-95-163 *23 August 1995*

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Ministers of Mercosur Countries, Chile Meet in Rio

PY2308015195 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 22 Aug 95

[FBIS Translated Text] The ministers of industry and commerce of the Mercosur member countries and Chile met in Rio de Janeiro. They discussed new forms of private investment in the field of infrastructure, transportation, and services to facilitate trade relations. Dorothea Werneck, Brazilian industry and commerce minister, recalled that the GDP of the countries involved in the meeting is equivalent to $1.1 trillion, which is a very large volume of resources that must be taken into consideration.

[Begin Werneck recording] We will begin a task of identifying investment opportunities and financial needs, with the participation of private initiative. This is the first subject that is necessary to hasten the integration process with the private sector within a framework of formulating public policies particularly for investment, trade, and physical integration. [end recording]

Inter-American Development Bank [IDB] President Henrique Iglesias, who also attended the meeting, said that by the end of the year, the IDB will place at the disposal of the BNDES [National Bank for Social and Economic Development] $300 million to finance small and medium-sized companies. Iglesias also said that there will be no need to apply resources in the Brazilian financial system, as happened in Argentina, because the two countries are experiencing different situations. Iglesias denied the existence of a crisis in the Brazilian financial system.

Andean Countries To Finance Satellite Project

PA1708124295 Quito Voz de los Andes in Spanish 1700 GMT 16 Aug 95

[From "the Voz Andes Newscast"]

[FBIS Translated Text] A report datelined Santa Fe de Bogota says that next week the Colombian Government will invite government and private investors inside the country and abroad to participate in the Simon Bolivar Andean Telecommunications Satellite Project.

According to daily EL ESPECTADOR, the Colombian Government will invest $60 million in one of the two satellites the Andean countries — Bolivia, Colombia, Ecuador, Peru, and Venezuela — will place in orbit. The initiation of the project, to which each country will reportedly contribute 20 percent of the expenses, was recommended last week by the Andean Committee of Telecommunications Authorities, Catel, which indicated that the project will be profitable if developed in the next two years.

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Cuba

Official Admits U.S. Compliance With Immigration Accord

PA2208145595 Havana Radio Havana Cuba in Spanish 1300 GMT 22 Aug 95

[From the "Morning Information Review" newscast]

[FBIS Translated Text] With the granting of 26,244 visas for emigrants, the U.S. Interests Section in Havana has fulfilled the agreement established in the immigration accord signed with Cuba in September of last year, John Sullivan, head of the U.S. mission, reported this Monday.

In statements to this radio station, Dagoberto Rodriguez, deputy director of North American Affairs of the Cuban Foreign Relations Ministry, acknowledged U.S. compliance of its part of the immigration accord. He stressed that Cuban authorities have scrupulously observed their commitment.

The official, who was present at the news conference held at the U.S. diplomatic mission, added that although the announcement of compliance with the visa requirement is a step by Washington in the right direction, there are still incentives for potential emigrants. The U.S. blockade against and pressure on the island will always represent an incentive in that direction, Rodriguez remarked.

Commentary on Problems of U.S. Two-Party System

FL2208164295 Havana Radio Rebelde Network in Spanish 1155 GMT 22 Aug 95

[Commentary by Carlos Iglesias from the "Doing Radio" program]

[FBIS Translated Text] It is clear that people from all sectors are dissatisfied with the current U.S. political structure. The government's biggest challenge comes from the extreme right wing, which believes it is ready to leap to power in the United States. A recent display of this offensive took place in the Dallas Convention Center, Texas, in the way of a rally called by multimillionaire Ross Perot. Numerous presidential candidates, most of them conservatives, attended the rally. Republicans were vastly represented, from mainstream candidate Robert Dole, Senate majority leader, to Pat Buchanan, a political commentator from the GOP's right.

During the 1992 elections, Perot put the U.S. two party system, Republicans and Democrats, in a fix, stealing 19 million votes from them. In addition, he brought to mind the idea that it was time to create a third party. The 5,000 people attending the Dallas rally have perhaps many different views, however, they know about the frustrations of many people, and they all agreed that the current system needs significant changes.

There were also those who spoke about the end of the current establishment —they think that they have enough power, and it is time to use it. What do these people believe? The answer came from Lamar Alexander, a Republican candidate and former Tennessee governor. He stated that the United States faces many problems, and the government's role in social programs must end so that the budget can be balanced. His views were well received by the rally's participants, who were mostly white, middle-aged people, who think they are being hurt by the government. They charge the government has turned the nation in the wrong direction.

Some U.S. citizens believe that their elected officials are hostile, thus, the militia movement — paramilitary organizations which defend themselves against alleged government abuses — has become very visible. Militia ideas caused this past March's tragedy, at which a Federal building in Oklahoma was destroyed, and 162 people were killed. Two men who belong to the so-called Michigan militia were responsible for the attack.

Growing opposition to the current U.S. political system will bring about problems for Democrats and Republicans in the 1996 presidential elections. The two party system offers few options to voters due to the growing strategic similarities between both parties.

Foreign Ministry Spokesman Comments on Current Issues

PA2208174295 Havana Radio Havana Cuba in Spanish 0000 GMT 18 Aug 95

[Report by Marianela Samper; from the "Evening Information Review" newscast]

[FBIS Translated Text] Luis Delfin, acting spokesman for the Cuban Foreign Ministry, has described as very important the summit of the Caribbean states which is taking place in Trinidad and Tobago, not only because tourism, commerce, and transportation — which are so vital for the region — are being discussed, but also because the consultative agreement of the organization itself was ratified.

Delfin pointed out that the Cuban delegation, headed by President Fidel Castro, has actively participated in the previous work sessions and in the meetings of experts and foreign ministers. To this effect, an agreement will be reached on the future date of the first ministerial meeting of the Association of Caribbean States as well

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as the appointment of the secretary general and the headquarters of the organization.

The foreign ministry official also reported that South Africa has already appointed Mr. (John Karimen) as ambassador to Cuba. As for the possible visit by our president to that African nation, he said:

[Begin Delfin recording] [words indistinct] it was a historic meeting. In addition, [words indistinct] South Africa and Cuba. There are interests, and there is great interest in Cuba. As for the issue of Fidel's visit to South Africa, Mandela has invited him to visit South Africa. Diplomatic channels are working out the best date for this [words indistinct] according to the agendas of both Fidel and Mandela so that the visit will take place at the right moment. [end recording]

During his usual weekly meeting with the press, Luis Delfin stated that Vice President Carlos Lage has been invited by Argentine Economy Minister Domingo Cavallo and the joint organization to a seminar on the possibilities of doing business in Cuba and Buenos Aires. However, he said he had no confirmation on possible dates.

With regard to the analysis of the decree law on foreign investments in the regular meeting of the Cuban parliament, Delfin said:

[Begin Delfin recording] I would say that there is a good atmosphere for approving that draft bill that will greatly improve and modernize the current law. It will also create an atmosphere that will improve the quality and effectiveness of the foreign investments in Cuba. [end recording]

The acting spokesman for the Cuban Foreign Ministry also reported that Division General Fabian Escalante will lead the Cuban delegation to the event on the death of President John F. Kennedy to be held in Rio de Janeiro, Brazil with the investigations conducted in the island when there was an attempt to involve Cuba in the assassination.

He also said that the Foreign Ministry has called for the Second Nation and the Emigration Meeting in Havana from 3 to 6 November. He added that a magazine, EL CORREO DE CUBA, will be presented in late August. The magazine will be aimed at the Cuban emigrants and it fulfills the agreements of the previous meeting.

Bilateral Trade Agreement Signed With Ecuador

FL2208163995 Havana Radio Reloj Network in Spanish 0200 GMT 22 Aug 95

[FBIS Translated Text] Cuba and Ecuador have signed a bilateral agreement to boost the trade in products with a substantial reduction of tariffs. The agreement, which went into effect on 1 August, will last for 3 years and it includes 170 Cuban products, including alcoholic beverages, tobacco, medicine, cosmetics, and agricultural goods, and 250 Ecuadoran products among them [words indistinct].

A spokesman of the Ecuadoran Foreign Ministry [words indistinct] diversify and promote bilateral trade.

Ambassador to Hungary Notes Thaw in Relations

FL2308021295 Havana Radio Rebelde Network in Spanish 2300 GMT 22 Aug 95

[From the "Exclusive" program]

[FBIS Translated Text] Cuban Ambassador to Hungary Carlos Trejo stated that bilateral relations have begun to come out of a four-year lull and that they are in a process of thawing out.

Trejo pointed out that the two countries had begun growing apart due to the changes in Hungary and the former Soviet bloc. Trejo added that we are now practically rediscovering each other because during these five years many things have happened in Havana and Budapest. Trejo stated that both countries are examining all possibilities in areas of mutual and profitable cooperation. Trejo also stated that tourism is one area of possibilities currently being analyzed and that Cuban medicine, such as the hepatitis B vaccine, interferon, and epidermis growth factor, are being sent to Hungary. Trejo added that he thinks there are possibilities of marketing other products such as citrus.

ANPP's Alarcon Heads Meeting on Foreign Investment Bill

PA2208150495 Havana PRENSA LATINA in Spanish 1838 GMT 19 Aug 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 19 Aug (PL) — Today, Ricardo Alarcon, National Assembly of the People's Government (Parliament) [ANPP] president, said in this capital that Cuba is seeking foreign investments but not to return to capitalism or to be helped to go backwards.

Alarcon headed the meeting of Havana deputies for this legislative body summoned to debate on the foreign investments bill which the government forwarded to the Cuban Congress.

The exchange of opinions — which is taking place in the many provinces of the country as part of the approach the local parliament put into practice — preceded the

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final discussion on this bill that will be held in the upcoming period of sessions of the Assembly's plenum, which will start on 4 September.

In today's session, deputies voiced different opinions and made proposals on the text of the document amid a cheerful exchange of opinions on all its chapters.

Among the basic aspects of the law, we find those regarding the guarantee to foreign investments, organization of joint ventures, banking system, labor system, taxes and customs tariffs, imports and exports, reserves and insurance, free zones and industrial parks, and environmental protection.

After pointing out that the country's objective is to promote the participation of foreign investors in different productive areas, Alarcon explained that the absence of possibilities of appropriating the national assets belonging to the people is clear.

The exploiters of the past are the ones who drafted the Helms-Burton Bill and who aspire to occupy once more their former factories and large estates; they want to prevent the flow of capital into Cuba, the parliament president underscored.

He then explained that the reply to this intention is to broaden and lure foreign investors who will help the Cuban economic development and who, therefore, are desirable for the Caribbean country.

We do not expect to run toward capitalism; our nation's objective is to save socialism, Alarcon added.

Jose Ramon Fernandez, Council of Minister vice president; Rosa Elena Simeon, science, technology, and environment minister; Conrado Martinez, ANPP president in Havana City; and Juan Escalona, attorney general, also headed the meeting.

Council of State Appoints New Construction Minister

FL2208123995 Havana Radio Progreso Network in Spanish 1100 GMT 22 Aug 95

[From the "First Thing" program]

[FBIS Translated Text] The Council of State, by petition of the Communist Party of Cuba's Politburo, agreed to release Comrade Homero Crabb Valdes as minister of construction and to assign Comrade Juan Mario Junco del Pino, currently head of the Blas Roca Calderio Contingent, in his stead.

900 Sugar Combine Engines Need Repair

PA1808130695 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 16 Aug 95

[Report by Orestes Casanova; from the "NTV Newscast"]

[FBIS Translated Text] Sugar combines are among the most important pieces of equipment used in sugar cane harvesting, and are also among the ones that most frequently break down. For that reason, after the harvest ends, it is almost obligatory to send the combines to the repair shop. Figuratively speaking, the Lenin Repair Shop in Camaguey is like a cardiologist because it is in charge of repairing the engines KTP-1 and KTP-2 of sugar combines from all over Cuba. This year there are numerous patients.

[Begin first unidentified speaker recording] The number of engines to be repaired is approximately 900 to guarantee the beginning of next year's sugar cane harvest. [end recording]

This is easier said than done because in reality, it demands long hours and lots of dedication, especially in the case of these types of engines, which arrive at the shop in critical condition.

[Begin second unidentified speaker recording] [Words indistinct]... well, everything including burned engines. [end recording]

In many cases, improper handling is the cause for the breakdown; in other cases, weeds in the sugar cane plantations are the cause. When this occurs, repairing the engines demands additional ingenuity.

[Begin third unidentified speaker recording] Currently, everything needs repair and will be repaired. [end recording]

Nevertheless, the Lenin Workshop has only repaired some 100 of the 900 engines that must be repaired before January. At present, a serious shortage of spare parts has delayed, but not stopped the work.

[Begin fourth unidentified speaker recording] This is a repair shop used to overcome more difficult situations than the ones we have right now. The spare parts are expected to arrive in September, then we will be able to service the number of engines the country demands. [end recording]

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Sugar Ministry Reports Mill Repair Program on Schedule

FL2208164195 Havana Radio Rebelde Network in Spanish 1155 GMT 22 Aug 95

[From the "Doing Radio" program]

[FBIS Translated Text] The Sugar Ministry [Minaz] reports that the ongoing mill repair program will be completed twenty days before the beginning of the upcoming harvest. (Juan Godezpoi), Minaz industrial machinery director, stated that early completion of the program will give time to conduct tests and to perform quality fine tuning.

The repair program and sugarcane harvest schedule were changed for several reasons during the past harvest. Only 58 mills were able to accelerate repairs and begin operations in time, and a larger number did not follow the schedule. Therefore, and because there is more sugarcane to mill, better preparation is essential to recuperate lost time due to possible break downs and interruptions, and to elevate yield.

[During its national headlines segment, "Doing Radio" reports: "Sugar Ministry Nelson Torres called workers to give priority to upcoming sugarcane harvest preparations."]

Panel Discusses Agricultural Efficiency

FL2208221795 Havana Radio Rebelde Network in Spanish 1600 GMT 18 Aug 95

["Straight Talk" Program with host Osvaldo Rodriguez and guest Ana Margarita Gonzalez from JUVENTUD REBELDE — live or recorded]

[FBIS Translated Text] [Rodriguez] Economic efficiency in Cuba's agriculture should inevitably result in higher production. I recently read, Ana, something you wrote in JUVENTUD REBELDE about a drop in agricultural economic losses. I want you to tell me how this is tied to the food supply, but first, tell me what you wrote about losses in the first half of 1994. These totaled approximately 360 million pesos, while in the first half of 1995. the losses declined to 57 million pesos. Even further back, in 1993, the losses were twice as great as last year. These gigantic leaps make me wonder because in the economic sphere, any leap, either upward or downward, always has a negative outcome. These figures give me the impression they have been inflated, to speak plainly. Can you tell me if the figures are true or whether I am wrong, or what is happening?

[Gonzalez] These comparisons... [changes thought] As a matter of fact, among the reporters, several reporters published these figures. I was not the only one to break the news to the public. When I attended a general meeting of agriculture leadership and saw these figures, I was the first to be surprised. I sped off to my office; it was late on Saturday. I wrote my article and the news was what you said earlier: Agricultural losses dropped to 57 million in the first half of 1995. This, of course, was one I had time to think about, make a more detailed analysis. I felt just like you. I had doubts, and thought that the figures might be inflated, erroneous. I even thought of the possibility that the losses were being shifted to the newly created Basic Cooperative Production Units [UBPC's].

[Rodriguez] That is what I was going to say because the article does not specify if the losses from the UBPC's are included.

[Gonzalez] As a matter of fact, they are not included. Since I had so many doubts, I researched the issue and my great discovery was that the agriculture sector did significantly reduce losses. Those 57 million pesos represent the reduction in losses, and correspond to the state agriculture sector. However, the UBPC losses, which is what must be added in order to make the comparison truly objective, valid, is another 20 million pesos.

[Rodriguez] What do you mean another 20 million pesos?

[Gonzalez] Therefore....

[Rodriguez, interrupting] You mean that the combined losses of the UBPC's during the first half of this year were 20 million pesos?

[Gonzalez] The combined losses of the UBPC's during the first half of this year were 20 million pesos.

[Rodriguez] What were their losses before?

[Gonzalez] The losses of the UBPC's used to be between 700 or 800 million pesos.

[Rodriguez] That's wild!

[Gonzalez] That's wild. That is my great discovery, that there is indeed a reduction in losses. I will explain how this came about.

[Rodriguez] Tell me.

[Gonzalez] The leadership of the agriculture sector does not believe this comparison as totally wrong. They have their reasons. The figures are on one side and we reporters are on the other. We are perhaps even more demanding when it comes to evaluating things.

[Rodriguez] There is also the fact that at this point in time it has become very difficult to compare one

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year with another because performances are not alike. Therefore, there will always be errors when making comparisons.

[Gonzalez] Exactly. However, what is happening? In the first half of this year, most of the UBPC's did not conduct financial evaluations. Therefore, they have not included the losses of the UBPC's because they do not have the exact figures.

[Rodriguez] Therefore, they were not able to add that to these figures. However, let's analyze this in depth and leave that aside. How did agriculture solve this problem?

[Gonzalez] Wait. I want to give you another figure. Last year, the UBPC's, in their first year of operation, had losses of only 49 million pesos, which amounts to almost 50 percent of the agricultural land in this country. This shows that the UBPC's are teaching us a lesson in economic efficiency, and of course, in the short or long term, this will also result in higher production.

[Rodriguez] It needs to be in the short term.

[Gonzalez] This is already beginning to work, but it has yet to reach the level we seek. We always want much more.

[Rodriguez] However, there has been growth.

[Gonzalez] There is growth in agricultural production.

[Rodriguez] It is not only that we want a little more, but that we need it.

[Gonzalez] We need it.

[Rodriguez] We need to feed our bellies.

[Gonzalez] Of course, particularly now when the Cuban table is primarily supplied with items harvested from our soil because we no longer have suppliers as before.

[Rodriguez] Let us return to the issue. How has the agricultural sector solved this problem in economic terms?

[Gonzalez] There were innumerable things that resulted in losses: for example, the dining halls and self-consumption plots were eating up the agriculture budget.

[Rodriguez] Yes, the dining halls throughout the country, but in many cases the dining halls have been solving the problem by increasing prices. However, do not let me stop you.

[Gonzalez] What is happening? Dining halls and self-consumption costs are not longer borne by the agricultural sector. They solved that the same way everyone is doing it.

Another example: Deaths and losses of cattle was another extremely high factor. That rate also declined this year. There are other sectors....

[Rodriguez, interrupting] However, the cattle industry still has problems.

[Gonzalez] The cattle industry is still the greatest deficit in agriculture. Another thing: The mobilizations, contingents, and schools mobilized to agricultural labor were a bottomless pit that cost agriculture a great deal of money. For example, the agricultural sector had to pay the expenses of the contingents in terms of transportation, food, and other things such as air conditioning, electricity, work clothes, etc..

[Rodriguez] But did their labor more than offset those expenses?

[Gonzalez] Not always. In many instances, the work of the contingents did not cover the expenses, and you already know about mobilized workers.

[Rodriguez] But the contingents are a different story.

[Gonzalez] Some of them managed to be efficient; others did not. The majority were not efficient.

[Rodriguez] Yet we still have contingents.

[Gonzalez] Today's contingents self-finance their production and consumption. They pay for what they consume and have their own self-consumption plots that supply their own dining halls.

[Rodriguez] Then we can say that there is a revolution in agricultural finances.

[Gonzalez] There is a revolution in agricultural finances. I believe it was about a year ago when agriculture really began to manage its own finances, and there is financial awareness. Today, producers in every province discuss reducing losses. Coffee farmers nationwide, who just began the coffee harvest, are seeking higher production with the least possible losses.

[Rodriguez] However, the enterprise still carries too much control over the UBPC's and the UBPC's have therefore not been able to achieve true autonomy.

[Gonzalez] It is true that the UBPC's still need more autonomy. That must be acknowledged! However, we also have to keep in mind that not all the UBPC's are in the same situation, and that the UBPC's are fully autonomous and are on an equal footing with the enterprises for discussing and analyzing their problems.

[Rodriguez] That is how the text of the resolution, approved by the top Cuban authorities, reads. However, when it comes to execution, it is not done that way

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because the manager of the enterprise is still the manager of the enterprise and the person able to command, dismiss, appoint, control, and order and as long as these managers continue to have that level of authority, there will never be autonomy, nor will they ever be on equal footing.

[Gonzalez] It all depends on the person heading the UBPC. Otherwise why did 50 percent of the UBPC's in Cuba make a profit their first year?

[Rodriguez] That is right. Let us say it boils down to the type of individual.

[Gonzalez] A person who truly takes charge of his resources and the production. On the other hand, the Association of Cuban Economists formed a contingent of specialists, which was sent to the UBPC's to provide financial advice and the outcome of that has been good. Of course, I recognize that there is still no autonomy, there is no full autonomy, and there are still too many bureaucratic and mental hurdles restricting the production forces in this country. As long as that persists, as long as policies and mindsets remain unchanged, results will be so-so.

[Rodriguez] We are getting closer to the end of the program and I believe the issue of the UBPC's deserves to be discussed at length in another program.

Let us go back to the main subject. You have mentioned several causes, and the UBPC's are among the main ones. However, they are not the only one.

[Gonzalez] Right. The UBPC is one of the factors that has eliminated loss.

[Rodriguez] However, everything seems to indicate that this was solved by the UBPC's.

[Gonzalez] No, I also mentioned dining halls and self-consumption, discontinued mobilizations of entire schools for agricultural labor — these have been mostly eliminated — contingents that do not work out, and the cattle industry, which although still the biggest source of losses, has reduced losses. I will provide one more element: bloated personnel rosters. Can you believe that the agriculture sector was able to reduce 40,000 unnecessary slots? Do you agree this was possible?

[Rodriguez] What I cannot believe is that there were 40,000 surplus slots in agriculture.

[Gonzalez] Yet, that was the case — there were 40,000 people in slots not linked to production.

[Rodriguez] And yet, TRABAJADORES just published that there are 40,000 jobs available in sugarcane agriculture.

[Gonzalez] There is also a need for more workers in non-sugarcane agriculture. The cooperatives still need many more workers, and the UBPC's still do not have the number of workers they ought to have and are needed. Let me give one example: The farming cooperatives, which are private property, also do not have the workers they are supposed to have.

[Rodriguez] We have dealt with purely economic issues, but what about production?

[Gonzalez] Production in 1994 experienced a slight growth in relation to the decline. Historical production records in agriculture were all achieved before the special period and it is very difficult under these conditions to beat those records. However, the Agriculture Ministry is seeking to make 1996 the best in its history. They have created an entire campaign. We will see how this has been accomplished.

[Rodriguez] Is it feasible?

[Gonzalez] Of course, we have to wait until 1996. We cannot make predictions at this point. I know efforts and revolutions are being made among all the leaders in agriculture, the dignity assemblies, as they have been called, seeking to increase production.

[Rodriguez] It is all very promising, but it is also a great gamble.

[Gonzalez] There was already a leap in production in 1995 which is estimated to be between 12 and 17 percent. I do not know the official figure yet. But I know there is growth in agriculture. Of course, we as consumers do not see it. Because, as you said at the beginning, we need much, much more, and agriculture has to be financially efficient, but that financial efficiency cannot be divorced from production. It has to attain higher production at lower costs.

Economy Ministry Official on Gasoline Distribution

FL2208143795 Havana Radio Rebelde Network in Spanish 2300 GMT 21 Aug 95

[Report by Demetrio Villaurrutia; from the "Exclusive" program]

[FBIS Translated Text] The following question remained unanswered in previous casts: Is the country ready to establish the unregulated sale of gasoline? I went to the Economy and Planning Ministry to find the answer. There I met with Vice Minister Jose Gonzalez Frances, who told me that gasoline planning is made not on the basis of material needs but financial factors.

There are no exact figures on the volume of gasoline that would be needed to establish unregulated sales for

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private use. However, it is known that it would require over 30 million in hard currency to import the fuel necessary to establish such service. Also, making this a reality does not depend on the will of the people alone, but on the speedy recovery of our economy, conducting more efficient harvests, and the gradual increase of our production to attain higher revenues in hard currency. Let us suppose that this would take place in the medium term, then it would be necessary to increase the current price of gasoline while keeping it lower than the black market price, and then not everyone would have the purchasing power to acquire this valuable resource.

Jose Gonzalez Frances added that nowadays there are private vehicles that are operated rather regularly even though the state only distributed gas vouchers in January and July. Yet, these vehicles are not driven as often as people wished. The drop in the distribution of gas to private individuals has been significant. Only 10 percent of all the fuel consumed is sold through gas stations, the rest is distributed directly.

In times marked by shortages such as these, there is something else to keep in mind, the embezzlement of gasoline is a fact and given the widespread use of this fuel, it is not easy to establish effective control over the hundreds of vehicles in operation. Yet measures and actions are being implemented even though they are not as efficient as we wished. Vice Minister Jose Gonzalez Frances went on to say that if the country had the financial resources to import gasoline or other types of fuel, the state would have first priority in order to supply public transportation and services which are currently in a slump not only due to the lack of spare parts but also to the scarcity of fuel. For example, Havana's transportation services consisted of over 30,000 trips a day; today, this figure is fewer than 10,000 trips a day.

Gonzalez added that Cuba's strategy will be to continue endeavoring to establish better and more effective controls of this resource and thus prevent the theft of fuel at gas stations.

If the situation improves, the distribution of gasoline to private individuals could be expected to increase. This means that there would be an increase in the number of times a year the fuel is distributed, not in the monthly volume. However, under the current conditions, this is not feasible.

Armando Hart Discusses Culture Financing

PA2108044295 Havana PRENSA LATINA in Spanish 0752 GMT 16 Aug 95

["Exclusive" article for PRENSA LATINA from TRABAJADORES by Jorge Rodriguez entitled "Culture and Economy: Strategic Path;" no dateline as received]

[FBIS Translated Text] "We have found a strategic path for solving culture problems, a socialist path, without having to yield our principles," affirmed Culture Minister Armando Hart Davalos, with whom we spoke exclusively for TRABAJADORES on aspects to do with current economic work in this sector.

Prior to 1989, about 85 percent of the material resources needed for sustaining and developing Cuban culture came from the former Soviet Union and Eastern European countries through various market and mutual assistance systems. "With the collapse of socialism in Europe we found ourselves in very difficult conditions and we could not enter into a debate to get the state to fully supply us these resources."

He said then "we made a proposal that the state approved, which in essence consisted in that whatever foreign currency culture produced, 80 percent was to be reinvested in developing that sector."

In order to achieve this, the so-called economic systems were created in each enterprise, which consisted of schemes of self-financing for each branch of culture, "but always under the most elemental socialist concepts and principles, which means that whatever our various enterprises and institutions make as profit, this must go directly to Cuban society through culture."

Hart explained that this change in culture economy began to take shape between 1989 and 1990, "and today it can be said that everything done with resources obtained through foreign currency has been solved this way."

He warned that this new concept in the Culture Ministry's economic mechanisms can resolve part of the problems in certain spheres, "but it cannot resolve everything because self-financing is not feasible in all institutions."

The culture minister referred to the role being played by the culture development fund, tasked with presenting programs for the benefit of those branches of culture that cannot be self-financing.

"With the foreign currency earnings from our sector, we have opened a special account called 'culture patrimony' to resolve, albeit very timidly, the problem of resources needed by museums, libraries, and other

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culture centers and institutions that cannot be self-financing. This year about $400,000 has been used from that account this way.

Another of the readjustments that has made possible the reinsertion of culture into the national economy has been the link of cultural festivals and international events to tourist programs. Previously, the state would make available for the Culture Ministry between 2 to 3 million pesos to finance those programs, and for several years now these "are totally self-financed, both in local as well as in foreign currency."

He also admitted that foreign currency in the national culture system is insufficient and "thus there is a deficit in the maintenance of installations, in resources needed for artistic teachings, and in many other manifestations and activities related to art and culture. These achievements have only managed to absorb slightly the blow and we can advance much more, because this is not the limit of our possibilities, either."

Regarding the culture link to other branches of the economy, he said technical assistance has been encouraged. He said: "There are aspects in which culture helps the national economy. For example, decorations in hotels and tourist installations carried out by artists involves joint work worth about $3 million in a single year."

When referring to certain questions in which there is work still to be done for greater results, Armando Hart is of the opinion that it is necessary to improve the system of cadres and leader of the various cultural institutions in which there are still comrades that are not the best suited or best qualified to take up that responsibility. He stressed, "it is also essential to have the best and broadest knowledge of international markets and the search for those who can satisfactorily relate themselves with these large markets."

He also said that better results can be obtained by associating with the country's economic institutions and warned that "it must be made perfectly clear that all these mechanisms and economic means applied in the sector has as a fundamental goal to protect national culture, develop it, and generate its influence and relation with universal culture."

He said as an example that in many countries cultural projects do not go bankrupt easily because culture has an investment in talent. "What one artist has as dexterity, capacity, and talent, for other enterprises in other branches of the economy this translates to an investment in materials and resources. We should observe that developed capitalism invests in culture, good business deals are made, and in addition, a political message goes out corresponding to that system. And we have to invest in culture, work hard toward culture, and also promote the ideas of Cuban society and our revolution."

Armando Hart emphasized the cultural movement, which over the past few years has been generated throughout the country. He said: "A true cultural explosion has taken place and the source of art and culture is found basically in all provinces through the national system of art schools."

If one compares the income of foreign currency earned in the 1976-80 quinquenium with results between 1991 and 1995, it is now 15 times greater.

In this connection he said that one of the most important collecting means has been the so-called border market (foreign currency sales made inside the national territory), which currently earns 65 percent of the freely-converted currency in the culture sector, the rest comes from exports. In the past, these figures were 41 and 59 percent, respectively.

This explains why in 1988 the income per tourist amounted to $2. In other words, what the tourist spent in the culture system on average. In 1994, this figure rose to $7, which shows how tourism has become inserted in culture and culture in tourism. We must clarify that we have decided not to involve culture in tourism, but that tourism actively participate in national culture. And this purely socialist strategy must take place on the basis of much- strengthened cultural institutions." [quotation mark as received]

The culture minister finally underscored that studies carried out in 1992, in accordance with the potential of culture to acquire foreign currency, forecasted that in 1995, $16 million could be collected. "This year we will reach $13 million, and we are nearing that projected figure. For this we need to work very hard — with efficiency — and never feel satisfied with what has been reached or the work carried out.

Haiti

Aristide Visits DGI; New General Director Appointed

PA2308033595 Port-au-Prince Signal FM Radio in French 1030 GMT 22 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The first headline in the news is the appointment of a new general director to head the General Directorate of Taxes [DGI]. Citizen (Joslerme Prevert) was appointed general director of the DGI yesterday, a few moments after President Jean-Bertrand Aristide visited this institution.

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Mr. Aristide visited the DGI yesterday morning in order to procure information on the good functioning of this institution. During his visit, the Haitian president conversed notably with the general director of this institution, Mr. Daniel Joseph, on the way the institution works.

According to Aristide, it was not a inquisition, but rather a way for the head of state to gain the maximum of information on how the public institutions are doing. Aristide insisted that those who have debts to the DGI must honor them.

On that score, he suggested that the officials at this institution publish the names of the public and private companies and taxpayers that refuse to honor their debts to the state. Among the public institutions not equalized with the Haitian Internal Revenue are the National Port Authority [APN], the Haiti Flour Mill, and Cement of Haiti.

Recalling that the law compels each Haitian or foreigner operating in Haiti to pay taxes, Aristide pointed out that the same law requires the state to give transparent explanations on how these funds are used.

The head of state asked the DGI general director to send a team of inspectors to his private residence in Tabarre to assess how much money he has to pay.

[Begin Aristide recording, in Creole] I would like you to talk to the Croix-des-Bouques DGI official, to get him to do his duty by sending me papers (?because I must pay taxes). [passage omitted]

For those who are building houses, allow me to go back to this issue again. Has the DGI managed to control the construction declarations so as to have them pay? Because it is with these funds that we can build houses for those who do not have money to rent houses. [passage omitted] [end recording]

Lavalas Political Organization Wins 13 Aug Elections

PA2208200595 Paris AFP in Spanish 2129 GMT 21 Aug 95

[FBIS Translated Text] Port-au-Prince, 21 Aug [dateline as received] — The Lavalas Political Organization [OPL] supported by President Jean-Bertrand Aristide won by a wide margin the elections held in 20 districts on 13 August to supplement those held on 25 June, the temporary Electoral Council announced today.

OPL candidates won 10 Senate and 11 deputy seats. Among those elected to the Senate are Renaud Bernardin, a former planning minister who is close to Aristide.

In the first round, the coalition won in 21 districts scattered in eight of nine Haitian departments. The second round will be held in September after having been postponed on several occasions.

Complete results of the first round indicate the OPL secured 11 of 27 senate seats. Seven seats will be defined in the second round, because the remaining nine will continue being occupied by legislators elected in 1990 for six-year terms.

The OPL became the most important bloc at the Chamber of Deputies, where the head of state had a clear minority until now, with 27 of the 83 already secured. Its candidates are favorites where elections will be held.

A coalition of 20 political parties that had called a boycott of the supplementary elections of the first round (13 August) has reported "irregularities and fraud."

U.S. Deputy Secretary of State Strobe Talbott visited Haiti for 48 hours last week in hopes of involving all political parties in the electoral process. He presented an eight-point proposal suggesting measures to prevent the mistakes made on 25 June.

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Zedillo: NAFTA Not To Replace Other Trade Accords

PA2208202795 Mexico City NOTIMEX in Spanish 0235 GMT 19 Aug 95

[FBIS Translated Text] Port-of-Spain, Trinidad and Tobago, 18 Aug (NOTIMEX) — Mexican President Ernesto Zedillo today rejected that the NAFTA will take precedence over trade agreements his country may sign with other American nations.

Trade agreements with groups of countries, either bilateral or individual, are an intermediate point of the more general and long-term goal of achieving free trade on the American continent by the early 21st century, Zedillo said in a news conference.

That is why, he stated in the joint news conference with Patrick Manning, Trinidad and Tobago prime minister, there is no incompatibility between trade with the countries to the north and the trade agreements reached with countries from other regions.

The president stressed that Mexico will implement, in coordination with its partners, new schemes to liberalize trade.

Within this context, he explained, was signed the Declaration of Principles and Action Plan of the Trinidad and Tobago meeting, which is intended to establish trade liberalization.

During the summit of the Caribbean States Association (ACS) which ended this Friday, President Zedillo ruled out that the relationship of Mexico with the United States may be adversely affected by its joining the ACS.

"Our relationship with the United States, like the one with this association, is governed by the strong principles of the Mexican foreign policy and by the particular agreements we are assuming in different moments," the president stressed.

"The fact Mexico has joined this association must also be viewed in the broader context of a policy of diversification of our international relations," he noted.

Meanwhile, ACS Secretary General Simon Molina did not rule out the possibility that such issue as drug trafficking may be included later in the agenda of discussion of the association.

Now, he said, the ACS's fundamental task is to address specific issues regarding trade, transportation, and tourism.

He remarked that the Declaration of Principles and the Action Plan of the meeting center on the aforementioned issues, but he established that the heads of state and government are fully sovereign to include in a declaration all the issues they want and decide.

The inclusion of any new issue, though not involving trade, transportation and tourism, will be a fundamental contribution, provided that they are priorities, maintain security and the development of the broad Caribbean region.

At the end of this joint press conference, President Zedillo went to his room where he met with Nicaraguan President Violeta Barrios de Chamorro.

Later, he traveled to the Piarco International Airport in this capital, where he boarded the plane that will transport him to Mexico City.

Article Reacts to IMF Remarks on Crisis

PA2308042695 Mexico City REFORMA in Spanish 22 Aug 95

[Commentary by Alberto Barranco Chavarria: "Who Has the Hot Potato?;" received via Internet]

[FBIS Translated Text] To the long, confusing, pungent, intense, and, for some people, sterile controversy over the profound reasons for the macrocrisis the country is experiencing — in view of the effects with which we have bludgeoned ourselves with an unprecedented recession in recent history — a third version of or, rather, a third vision of the facts was added yesterday: that of the IMF, which gives a sensational turn to the mess.

Mexico's tragedy, in the opinion of the international organization, certainly originated from the abrupt flight of capital, Mexican capital that is. Better said, former President Carlos Salinas de Gortari is right in the defending (or vindicating, perhaps) argument, which he is fervently working on to create a best seller [previous two words in English]... except that the dollars fleeing the country did not come from abroad.

Come on, it is true that there were speculative, unstable, hypersensitive, changeable, fleeing, and flowing [veleta] capital, but the evil seed was not in Wall Street, London, Tokyo, or Melbourne. It was hidden amid our own reality; it was behind our idiosyncrasy. It was, then, the culprit about which Alfonso Reyes had talked.

Do you remember when former President Jose Lopez Portillo shouted at the top of his lungs: "They have already plundered us!," after having committed himself to a typical: "They will not plunder us again!?"

Well, according to the IMF — which, the whole picture considered, knows more about Mexico or, at least, talks more honestly about the country than Miguel Mancera's

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Bank of Mexico, Guillermo Ortiz's Finance Secretariat, or Emilio Chuayffet's Government Secretariat — the collapse of the country's real economy had been brewing since 1994, when the political events, along with the feeble economy, frightened our own fellow nationals.

According to the U.S. daily THE WASHINGTON POST, they report the multinational organization will make public on 4 October under the name World Economic Prospects — including a chapter devoted to our country — will exactly state that the sudden drop in the value of our currency was triggered by a flight of domestic capital, which made it impossible for the Mexican Government to defend the peso.

The expected analysis of the Mexican case will also state that, according to Treasury Department sources, "the fall of the peso prompted a relatively minor threat against the stability of the international financial system, despite the gloomy foretaste by the U.S. treasury secretary and the head of the Federal Reserve.

Although the abrupt flight of capital from the country, according to the report, began with the outbreak of the armed rebellion in Altos de Chiapas and heightened with the heinous assassination of Luis Donaldo Colosio, who was candidate of the PRI [Institutional Revolutionary Party] for the presidency, it became a torrent on the eve of that fateful 20 December.

The error in December that former President Carlos Salinas Gortari mentions, aside from the blunt manner in which the event was communicated to foreign investors by the Finance Secretariat, was that the task was delegated to Secretary Jaime Serra Puche, injuring the sensitivity of key personnel, plus anticipating to business leaders the night before what was coming, instead of simply advising them, as was fittingly demanded.

The truth, without knowing in depth the IMF document, is that certainly in the 30 days before the heinous assassination of Luis Donaldo Colosio, international reserves plunged suddenly by $11 billion....which was attributed to the uncertainty of speculative foreign investment in the country's future.

The case is that in desperation — as was reported at a given moment by us —the government launched the massive sales of Treasury Certificates (Cetes) and Treasury Bonds (Tesobonos), aiming indiscriminately at national and foreign capital.

According to the registry of the Bank of Mexico, the Mexicans bet on Cetes, that is at the higher interest, while foreigners did likewise on the Tesobonos, that is on a devaluation.

Let us say that while the latter were protecting themselves, the former were just speculating.

According to serious analysts, 80 percent of the flight of capital from the country during April was caused by nationals, not foreigners.

The truth, also, is that the scenario painted in the IMF surprise is identical to that drawn by analyst article-writer Jonathan Heath.

At a conference held in the National University of Mexico ("The Role of Portfolio Foreign Investment in Mexico in 1994") within the framework of the international seminar "Market of Values: Economic Development, Integration, and Crisis," the prestigious analyst of economic events in the country stated outright that "investment in the Mexican portfolio was more of a speculative and volatile nature than foreign investment."

If we go a bit farther, the star analyst of Serfin Bank spoke of confidence undermined by the force of promises. He asked: "How many times this past year did we hear public officials say the deficit in the commercial balance was sustainable? How many times," he asked, "did we hear public officials say that it was not overvalued? On each occasion, they gave us an argument that justified the political moment."

Now that we had to devaluate and have again fallen into a crisis situation, we hear how foreign investments in portfolios are very volatile and speculative. It is the investors' fault that we had to devaluate. If the external interest rate increases slightly, those funds leave the country. They are very susceptible to political and criminal events such as we had last year. I have also seen a number of newspaper articles calling for a limit to the acceptance of those kinds of investments because of the effect they have on the economy. They are investments which do not contribute to economic growth, only to speculation.

In my opinion, almost all these attacks and criticisms on foreign investments are badly focused. The failures and errors are to be found in our economic policies, not in external factors. The moral crisis was not inevitable. It was a direct result of the errors committed last year in the economic policy.

In April of 1994, monetary authorities greatly increased the amount of cash flowing in the economy by increasing the net internal loans of the Bank of Mexico, partly financing the flight of capital, instead of having applied a more restrictive policy ...

... In these cases, the monetary policy becomes an instrument to control the exchange rate, instead of its traditional role of stabilizing prices.

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Further on, John Heath quotes former Finance Secretary Pedro Aspe who argues in his book "The Mexican Road Toward Economic Change" that one of the conditions necessary for the flow of capital is consistency in macroeconomic policy.

The former government official writes: As long as the government does not commit errors or takes sudden turns, foreign investments in the portfolio will not make rapid changes.

Must We Analyze Every Word?

The Mexican trauma, in addition to the initial negative response of Tesobonos [Treasury Bond] holders to renewing their documents, was caused, in any case, by the inconsistency of its major capitalists, whom it had favored with interest during the previous regime.

Come now, those who were carried away by the power of special privileges, fattened, as never before, the famous lists of FORBES magazine.

The question is whether it was only ingratitude.

The General Balance

The news is that the package to wager anew on the refinancing of the large overdue portfolio, which is being prepared by the Finance Secretariat and the Mexican Association of Bankers, still presided over by Jose Madariaga Lomelin, will not come alone.

Along with it, for the joy of depressed business bases, an injection of oxygen into the economy will be announced... including some of the 18 emergency measures requested by the Business Coordinating Council, headed by Hector Larios.

Without going any further, it is about giving perspective to the thousands and thousands of small and medium-sized businesses which are at the very bottom of the tunnel.

Orchestrated with forceful marches so that President Ernesto Zedillo himself makes the happy announcement tomorrow, this maneuver precisely attempts to eliminate the great obstacle opposing negotiations with debtors under any formula: To what future shall I finally bet regarding refinancing?

It is not free, of course, that the news arrives earlier than the presidential report.

As you guessed, it has to do with erasing the possibility of interpellations with a dirty trick which also includes Tabasco State Governor Roberto Madrazo's imminent fall; the appointment of a special prosecutor, who is a member of the PRD [Party of the Democratic Revolution], to investigate Guerrero State Governor Ruben Figueroa's alleged responsibility for killing 17 farmers in Coyuca de Benitez; and even the resignation of national PRI [Institutional Revolutionary Party] leader Maria de los Angeles Moreno.

The truth is that the world — I mean the IMF itself, the World Bank, the U.S. Treasury, and even nations having problems like ours, such as Argentina, Chile, Venezuela, and Brazil — have their eyes fixed on our country's upcoming response in view of the overdue portfolio problem.

The magnifying glass, then, is burning us up.

Those who declare from their comfortable desks that the shoe industry was one of the most favored by last December's macro devaluation should go visit the Calzado Canada's [Canada Shoe Company] factories in Guadalajara.

Out of the 12,000 employees and workers who worked until 30 December 1994 at this company headed by Sandra Lopez Benavides, only 4,500 are still working.

Among the list of reasons, we must point to the 50-percent drop in shoe sales, for which reason at least 2,000 specialized businesses have closed.

One of the affiliates of the Vitro Group of (Adria) Sada Gonzalez, Vitro Enseres Domesticos [Vitro Household Appliances], has just signed an alliance with the French firm Delta Sourdillon, which is a leader in the manufacture of stove components.

In the operation, Delta Sourdillon acquires 25 percent of Acrotec, one subsidiary of Vitromatic, which is the result of a joint investment between Vitro and the Whirpool Corporation [name as published].

Business Leaders Respond to IMF's Remarks on Crisis

PA2308042895 Mexico City Radio Red Network in Spanish 0000 GMT 23 Aug 95

[From "The Night Monitor" newscast]

[FBIS Translated Text] We have information on the statements made in recent hours by business leaders in our country on the economic crisis in Mexico. Antonio Guzman has the story.

[Guzman] These statements are in response to what the IMF said to the effect that the flight of Mexican capital was the principal reason for the existing financial crisis. Various business leaders have said that that multilateral organization — the IMF — should provide the figures to prove its assertion, that is that the flight of Mexican capital has caused the financial crisis. Since the IMF is not doing so, they said, these statements are merely

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seen as imprecise judgements that provoke arguments in Mexico as to whether it was foreign capital or Mexican capital that generated the crisis.

Hector Larios Santillan, president of the Business Coordinating Council (CCE), has stated that the urgent task continues to be the capitalization of the country by actually recovering the capital that has left — whether or not it generated this financial crisis — through the stamp tax. He stated the following.

[Begin Larios recording] We should recover the capital — the small amount of Mexican capital that has left — because it is needed here in Mexico. We should not engage in an argument on whether it was theirs or ours. The important thing is to recapitalize the country, to achieve an economic recovery, which is the only thing that will give the country the possibility of moving ahead, of generating jobs, of creating enterprises, and of generating taxes. [end recording]

He said that national investors and businessmen had been through an exhaustive six-year period, which caused a decrease in liquidity. That is why it is improbable, according to Larios Santillan, that it was speculators, to whom the IMF referred, that caused the crisis.

For his part, Carlos Abascal Carranza, president of Coparmex [Mexican Employeers Confederation], said that it could have been small-scale savers who, upon leaving the country, tried to save their capital. The truth is that, without any concrete facts, the statement made by the IMF is only a generalization that does not lead to anything.

[Begin Abascal recording] They are only general, imprecise remarks. I would not like to comment on that information, which is a general opinion. We would like to have more precise information from those who claim to have that information so that the Mexican society can have a sufficiently broad opinion and so that we can adopt congruent positions. [end recording]

Both statements were made at the inauguration of the seminar on business responsibility in which an urgent call was made to Mexican businessmen to change their attitudes in the face of the current situation, which is very difficult. They also said that the recent cabinet changes will bring a halt to the economic program, because the moment calls for total attention to this recovery. The change made in the Labor Secretariat, where the new labor ideology was being drafted, displeased management, which now hopes that there will not be any modifications in the performance of this secretariat, with new Labor and Social Welfare Minister Javier Bonilla. They hope that there will be continuity in this process, which was already ongoing. [end recording]

Within the framework of the forum "Initiatives of the Business Sector in the Face of the Crisis," which is being organized by the civic center of [words indistinct], Hector Larios Santillan said that Mexico is experiencing one of the worst moments in its history. The leader of the top organization of the Mexican private sector appealed to businessmen to change their attitudes in order to emerge from the crisis as quickly as possible. Hector Larios Santillan said that businessmen have a duty to fulfill with society, producing without misrepresentations or deceit the required goods and services. He said that in Mexico, there are 14 million persons who live in abject poverty. Businessmen, out of a basic sense of human solidarity, cannot turn their backs on them. Furthermore, it is a moral and patriotic obligation to help solve the problems of the neediest sectors. Larios added that businessmen must understand that perhaps the greatest service they can do to society is to assume a deep interest in Mexican politics and to see this as a desire to serve and not as a means to get rich or to have power. The CCE leader said that we must contribute to creating in Mexico businessmen who understand that tax evasion is like stealing from society, which is also like shirking the responsibility of demanding that our authorities fulfill the duties expected of them by the people. The CCE leader concluded that the plight of our society is [words indistinct] of wealth, the poor distribution of income, deficient education, corruption, and injustices. He said they are not the causes of our problems, but the symptoms of a serious societal disease, which is located not so much in material things, in monetary issues, but within the spiritual balance of Mexicans.

Finance Secretariat Official Views Economic Reactivation

PA2208170895 Mexico City NOTIMEX in Spanish 0115 GMT 17 Aug 95

[FBIS Translated Text] Mexico City, 16 Aug (NOTIMEX) — In the coming months the Mexican Government will draw on 60 percent of the expenditures scheduled for 1995, which will aid the year-end economic reactivation, Manuel Ramos Francia, director of financial planning, stated today.

During the weekly conference on the plan of action to consolidate the agreement to overcome the economic emergency, the official said that the use of the planned expenditures will be carried out with strict discipline in public finances.

The year-end reactivation will be achieved by maintaining the fiscal surplus, maintaining lower interest

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rates, increasing exports, and releasing 60 percent of the scheduled budget in the coming months, he added.

"If there is going to be increased spending, within the announced economic plan, it will be done with fiscal discipline, which will not jeopardize our achieving a fiscal surplus, Ramos Francia explained.

The official of the Finance and Public Credit Secretariat said that to the same extent that the orderly payment of loan obligations are made, "an even swifter economic recovery will be observed."

He said that although the gross domestic product (GDP) registered a strong drop of 10.5 percent during the second trimester of the year, macroeconomic factors, such as the public finances surplus will aid in recovery in the coming months.

He added that the surplus of $2.466 billion registered by public finances in the first semester eased the pressure on the financial markets, which in turn lowered interest rates and inflation and stabilization of currency.

Alejandro Valenzuela, official spokesperson for the program, said that tomorrow, Thursday, Tesobonos [Treasury Bonds] valued at $790.9 million will be redeemed. Of this amount, $365.6 million were already purchased by the Bank of Mexico.

He noted that of the remaining $425.3 million, $236 million were requested on Tuesday from the Bank of Mexico and $189 million will probably be invested in other financial assets in our country.

He stated that in this manner some $25.364 billion in Tesobonos will have been paid off. That is over 87.8 percent of the balance that existed in December of last year.

There is a total of $3.5629 billion Tesobonos that are still unredeemed.

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Guatemala

De Leon Carpio: Peace 'Step Closer'

PA2208150295 Guatemala City SIGLO VEINTIUNO in Spanish 21 Aug 95 p 6

[Unattributed report]

[FBIS Translated Text] President Ramiro De Leon Carpio stated yesterday that aspects dealing with issues such as the socioeconomic and agrarian situation could be signed by the month's end, which he said *places us a step closer to peace.*

De Leon Carpio explained that following discussions on these topics, discussions will then begin the topic of the Army followed by the operative portion of the cease-fire, which is definitely one of the topics that concerns Guatemalans.

The cease-fire, he commented, is what is most important from the humanitarian point of view. *Signing the peace [agreement] will not resolve all the country's problems, but it removes a great stumbling block that has been obstructing social and economic rights, and ends the armed conflict,* he said.

Both the government and the guerrillas have the resolve, which has been demonstrated by the headway of the negotiations, President De Leon Carpio added in statements delivered yesterday following a soccer match.

PAN Candidate's 'Limitations' Described

95P20987A Guatemala City CRONICA in Spanish 4 Aug 95 p 11

[Entry in "Plaza Mayor" section: "Arzu Protects Himself"]

[FBIS Translated Text] Advisers of Alvaro Arzu, the presidential candidate of the National Vanguard Party, PAN, appear to be aware of his limited public speaking and debating skills, which are compounded by his aversion to the press. Nor does the PAN leader participate in public forums or make statements directly to the media, so as not to erode his political support. Perhaps that is why interviews appearing in one morning newspaper, are, in reality, disguised propaganda pieces created by Arzu and his public relations team.

Prosecutor General's 'Inefficiency' Noted

95CA0344A Guatemala City CRONICA in Spanish 28 Jul 95 pp 19-20, 23-24

[Report by Iduvina Hernandez and Silvio Rene Gramajo: "The Pharaoh of Impunity"]

[FBIS Translated Text] Slowness or inactivity in the investigation of judicial processes is the trend in the Prosecutor General's Office which, with its inefficiency, is fostering the commission of crimes, enabling the perpetrators to remain unpunished.

As petrified as a sphinx, the attorney general, Ramses Cuestas Gomez, has completed 14 months heading the Office of the Public Prosecutor (MP). During that interval, there has been little or no progress in most of the judicial proceedings assigned to that office according to the stipulations in the new Code of Criminal Procedure (CPP). As a result, in its second report, the UN Mission for Guatemala (Minugua) cites "the absence of a policy in the Office of the Public Prosecutor for the investigation of crime that would guarantee an effective response to the crime situation within the context of the rule of law." We present below a summary of the most important cases in the hands of the MP, which demonstrate how immobility, slowness, and inefficiency have made the chief of the Prosecutor General's Office a real obstacle to justice.

Life Is Worthless

On 3 July 1993, the secretary general of the National Center Union (UCN), Jorge Carpio Nicolle, and three of his companions, died after having been attacked by gunfire in Quiche. However, there are contradictions in the process, and the MP is not dissociated from them. According to the law, anyone acting as representative of both parties in a process commits a crime. And, although the MP was asked to indict Claudio Porres, because it served first, as an accusing prosecutor, and later, as a defender of the accused, it never took any action. On the other hand, the new prosecutor assigned to the case, Abraham Mendez, has lacked institutional support. The MP is so unconcerned that Mendez does not even have a typewriter available in his office. The height of Ramses Cuestas' indifference occurred in May, when Mendez had to take refuge in an MP file room to evade several presumed members of the presidential staff who were making inquiries concerning his whereabouts. On that occasion, the prosecutor in the Carpio case had mentioned the disappearance of a report that was in the possession of the ex-defense chief of staff, General Jose Luis Quilo Ayuso.

Months earlier, on 29 September 1994, Karen Fischer, one of the accusers in the trial relating to Jorge Carpio's death, charged that she had been threatened by Colonel Mario Merida, then vice minister of government. Fischer filed the claim with prosecutor Ramses Cuestas, who assured her that it was not worthwhile to open any records because, in any event, this was an "inconsequential crime."

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Deaf Ears

In at least three cases that the Human Rights Office of the Archbishop (ODHA) has submitted to the Prosecutor General's Office, there have been indications of apathy on the MP's part. In the Solala Court of the First Instance for Criminal Proceedings, for example, the proceedings against Oswaldo Morales Mayen, whom Carmen Rosa Ramos has accused of medical negligence, still remains unresolved. The accuser did not receive hospital treatment in the Guatemalan Social Security Institute (IGSS) when she was in labor, and the lack of medical care caused the death of her son. The ODHA which, as Ramos' representative, has requested that the prosecutor general head the investigation, complains that the procedures are being carried out extremely slowly. The case records were turned over to the MP in March of this year and, after two months, no witnesses have been called upon to testify.

The former office has experienced a similar situation with the solution to the assassination of Judge Edgar Ramiro Elias Ogaldez, which occurred on 20 August 1994. There are well-founded suspicions that Elias Ogaldez' killers received protection from the Chimaltenango military base, but the MP has not intervened to take the pertinent action. On several occasions, the ODHA has met with members of the human rights unit of the Prosecutor General's Office, with whom it has brought up the case. Later, in March, the ODHA expressed its displeasure to Ramses Cuestas over the lack of progress in the proceedings, but it has not yet received a response.

The Specter of the Commander

The action to learn the whereabouts of the subversive, Efrain Bamaca, alias "Commander Everardo," also has cast doubt on the MP. Bamaca disappeared in combat during March 1992. He is presumed to have been captured alive, and to have died later while being tortured at a military installation. The first prosecutor assigned to the case, Leonel Machuca, was removed from the proceedings in May of this year. Machuca made an appeal, but not in time, against the decision of a court in Retalhuleu, which had declared a discontinuance of the trial. However, the prosecutor insisted that the MP chief knew about his actions, including the delay in the appeal. To date, Machuca is still working for the MP, despite the scandal for which that office removed him from the proceedings.

Appointed to replace the latter was Julio Arango Escobar who, on 5 July, attempted to have Bamaca's presumed remains in San Marcos exhumed. However, Julio Cintron, an attorney in the service of the Army, prevented the action from being taken. Moreover, Ramses Cuestas' direct participation brought the case to a standstill. Cuestas contacted Arango, informing him, on the very day set for the exhumation, that, because there were problems (he did not specify the type), he had only eight hours to carry out the action. Therefore, it was suspended. The impetus that Arango gave to the case made him the object of a prejudgment and death threats. The latest incident involved gunfire apparently aimed at Arango's office, and he sought protection from his chiefs in the MP. Because of official immobility, he threatened to give up the investigations. Only then did he begin to receive support from the Prosecutor General's Office, which has received a request from the Organization of American States' (OAS) Inter-American Human Rights Committee (CIDH) to offer precautionary measures for the prosecutor investigating the case.

The Untouchables

Nine months have elapsed since the Constitutionality Court (CC) decided that, because "there are well-founded suspicions of liability," a proceeding should be opened against the presumed intellectual perpetrators of the murder of anthropologist Myrna Mack, which occurred in September 1990. The court ratified the conviction of Noel de Jesus Beteta, accused of being the material perpetrator of the crime. In October 1994, a verdict of the CC ordered the MP to collect the required evidence and to open a trial against retired General Edgar Augusto Godoy Gaytan, as well as Colonel Juan Valencia Osorio and Lieutenant Colonel Juan Guillermo Oliva Carrera. With the excuse that the court had not given notice of the decisions, the MP did not open the investigation, nor appoint a prosecutor for the case. However, the new Code of Criminal Procedure, besides obliging the MP to initiate official investigations, requires it to continue a proceeding, the records of which are to be kept in the possession of that agency. To date, although the court has already issued certification of the proceeding to the parties concerned, the MP has not yet opened the investigation. The case is at a virtual standstill, in the hands of the prosecutor general.

The Gonzalez Case

The judicial proceeding involving the assassination of the CC president, Epaminondas Gonzalez Dubon, which occurred on 1 April 1994, is bogged down. The records of threats against Gonzalez Dubon's life and the presumptions regarding the operation in which he was killed have not been taken into account. The MP maintains its original hypothesis that the president of the country's supreme court was a victim of a common type of crime. According to that theory, the material perpetrators of Gonzalez' death were the Marcos brothers and

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Oliver Salazar, who claim to be innocent, declaring that they have been used as scapegoats. This has caused the case to show contradictions because, whereas relatives and some authorities insist that a political crime is involved, the Prosecutor General's Office reiterates that the magistrate died during a robbery attempt. Instead of delving deeply into the charges, the Office of the Public Prosecutor has filed the case in records pertaining to the drug traffic. For this reason, the son of the Constitutionality Court's president, Epaminondas Gonzalez Castaneda, opted to submit the accusation to the CIDH.

They Are Only Peasants

According to a charge on record in the Office of the Human Rights Ombudsman (PDH), on 24 August 1994 three persons died and nine others were left injured as a result of the violent eviction from the San Juan del Horizonte (La Exacta) farm in Quetzaltenango. According to the testimony, besides the police forces, several helicopters contracted by the farm's owner took part in the eviction. As a result of the police intervention, the peasants Basilio Guzman, Efrain Recinos, and Diego Orozco Guzman were killed. In his resolution of 6 September 1994, the chief of the Office of the Human Rights Ombudsman, Jorge Mario Garcia Laguardia, demanded of the Office of the Public Prosecutor "the most exhaustive investigation of the incidents reported, especially of the owners and pilots of the aircraft used." Eleven months after the events, as the Minugua has testified: "The investigation has not made any progress, owing to the inactivity of the Office of the Public Prosecutor, which has unjustifiably failed to carry out basic procedures."

With a License To Commit Crime

In the trial against the civil patrol members in Colotenango, Huehuetenango, who, on 3 August 1993, attacked with firearms peasants who had demonstrated against those paramilitary groups, the MP also has remained inactive. As a result of the attack, one of the demonstrators died and two others were wounded. Some of the accused have voluntarily appeared in court. But all the arrest warrants issued since 9 September 1993 against 15 members of the paramilitary force in La Barranca, accused of the crime, have not been executed. For this reason, the proceeding is not advancing and, furthermore, the Office of the Public Prosecutor has not conducted all the hearings in which it appears as accuser. This inactivity has enabled the criminals to remain unpunished.

Another case related to the Civilian Self-Defense Patrols (PAC) in which the Prosecutor General's Office has remained at a standstill is that involving the arrest warrant against Raul Martinez, who boasts of being chief of patrols in Kaibil Balam, Ixcan. In response to the charge brought by the UN High Commissioner for Refugees (UNHCR) against Martinez for the kidnapping of one of its representatives, the MP has taken no action to make the proceedings successful.

Fiscal Paralysis

On 11 November 1994, the university student Mario Alioto Lopez Sanchez died. He had been injured two days earlier when the Anti-Riot Platoon attempted to break up the disturbances that broke out on the grounds of San Carlos University (USAC). In connection with this incident, the Office of the Human Rights Ombudsman issued a resolution in which it identified Danilo Parrinello, Mario Merida, and Salvador Figueroa, then minister and vice minister of government, and National Police director, respectively, as those responsible.

Since the trial began, the evidence and the investigations have been provided by the Association of University Students (AEU), the USAC, and the Human Rights Office of the Archbishop. The MP has confined itself to submitting briefs and engaging in formal procedures, to the point where Amilcar Velasquez, the prosecutor assigned to the case, has never been willing to be present for the unsworn statements of the Fifth Corps chief, accused of being responsible for the incidents. During the seven months of formalities spent on the proceeding, the only step taken by the MP has been a request, on 21 July, for the medical report on Lopez Sanchez from the Roosevelt Hospital. The AEU and the USAC's Legal Department will soon file the formal charge against those responsible for the student's death. There is no certainty that the document requested by the MP will be officially incorporated into the case.

Two Lucky Coup Members

On 7 March of this year, Gustavo Espina Salguero, ex-vice president of the Republic, returned from his exile in Costa Rica, and appeared in the courts to have his situation clarified. Espina returned nearly two years after the coup d'etat of 25 May 1993, in which he accompanied the then president, Jorge Serrano Elias. A judicial proceeding was initiated against both of them, as well as the ex-government minister, Francisco Perdomo, for the commission of over 10 crimes against the Constitution, and others classified in the Criminal Code. Although the Prosecutor General's Office is supposed to carry out the criminal prosecution and direct the investigation of crimes of public action, it has remained immobile. For this reason, Espina has benefited from the substitute measures called for in the CPP. Instead of remaining in prison, the ex-vice president was released on bail, and was able to recover

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the amount of money posted, because an insurance company became established as his bondsman. The MP has remained dissociated from the proceeding.

As for Jorge Serrano, the pretext has been that the trial is being aired according to the previous Code of Procedure, in which the investigation was incumbent on the judges. Nevertheless, as in all these cases, the MP is obliged to investigate officially: something that has not been done in this proceeding either.

Protector of Spies

Two scandals linked with espionage have been obviated by the MP. In February of this year, the U.S. congressman, Robert Torricelli, claimed that Colonel Julio Roberto Alpirez had been on the list of informants of the Central Intelligence Agency (CIA, in its English initials). Torricelli also linked Colonel Alpirez with the kidnapping and murder of the U.S. citizen, Michael DeVine, and with the extrajudicial death of the guerrilla fighter, Efrain Bamaca. When Alpirez appeared to testify before the MP, the interrogation had to be conducted by officials from the Minugua, because the Prosecutor General's Office had not even prepared a questionnaire with which to interrogate the military officer. According to the MP chief, the statements of the president of the Republic and the defense minister, Mario Enriquez, were sufficient evidence for the defense not to require the opening of investigations concerning Alpirez' presumed involvement in acts of international espionage. On 8 April, Cuestas claimed that it was not worthwhile to investigate Torricelli's charges, because a crime was not involved, but rather "an exchange of information."

A similar position was assumed by the Office of the Public Prosecutor toward the evidence of espionage when, on 22 June of this year, the congressman from the Guatemalan Republican Front (FRG), Juan Francisco Reyes, publicly introduced a tape containing recorded conversations, obtained by tapping telephones. On this occasion, Ramses Cuestas claimed that they were ordinary conversations and, therefore, it was not worth the trouble to open any kind of investigation. As in all the cases mentioned, apathy, whether natural or induced, was the attitude assumed by the prosecutor general.

[Box, p 20]

Autonomy Versus Anarchy

The Council of the Office of the Public Prosecutor has encountered more obstacles than facilities for discharging its duties, and has not succeeded in becoming established as the facilitator of action for the Office of the Prosecutor General, headed by Ramses Cuestas. These obstacles are reflected in the lack of regulations for improved control over its work, the lack of coordination in its judgments on administrative affairs, and the authorities' indifference toward its recommendations. Although there were draft regulations, they were scrapped by the council itself, which deemed them inappropriate. To date the council has consisted of Sandra Aldana, Amilcar Velasquez, and Julio Mendez, representing the district prosecutors; and attorneys Jose Eduardo Marti, Edgar Lemus Orellana, and Marta Altolaguirre, elected by the Congress. Nevertheless, it is indicated that the relations between Cuestas and this body are not cordial, and that the prosecutor general meets with its members only because the law so requires. Added to the foregoing is the fact that, on repeated occasions, Cuestas has argued in the presence of the council members that its decisions are not binding. The fact is that there are charges that many of the recommendations made by this body have been rejected by the Prosecutor General's Office.

Amid that tense atmosphere, there has been a reinforcement of the rumor that the appeal against the council brought in the Constitutionality Court by a private entity was, in fact, devised by Ramses Cuestas, who wants to continue his work without being supervised. The official's positions have put some members of the board in a hornet's nest, and they find it extremely difficult to perform their duties. The latter include advising and proposing to the MP chief the appointments of all prosecutors, providing input for the instructions issued by the prosecutor general when there are objections to them in the law, and deciding, in consensus with the MP chief, on the division of the territory to determine that entity's headquarters. And, in view of this situation, there has been no dearth of members of the regulatory body who are considering resigning, convinced that their work has proven unproductive.

[Box, p 23]

A Weak Prosecutor General's Office

A few personnel recruitment courses would not do Ramses Cuestas any harm. Of the 50 prosecutors that he has contracted during his administration, only four have been considered by the Council of the Office of the Public Prosecutor to have the legal capacity to replace him in the position. Hence, the tasks of conducting criminal investigations and investigating crimes of public action have been left in the hands of lawyers who show a marked weakness for alcoholic beverages, or else devote part of their schedule to serving in private offices. This occurs despite the fact that the law forbids prosecutors to practice independently, so as to avoid pressure that might interfere with their work and deprive their actions of impartiality. One of the sources remarked: "It

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appears that the background of those interviewed has not been investigated. They could not possibly have failed to notice that one of the applicants submitted a letter of recommendation from her husband."

The fact is that Cuestas cannot invoke his bad luck to justify contracting such individuals. He also has turned a deaf ear to the charges of corruption against certain investigators. Nor has he offered security to the prosecutors, who have been intimidated to prevent them from doing their duty. For this reason, it is not surprising that investigations are left at a standstill, as has occurred in the Bamaca case. Julio Arango, the prosecutor in charge of those proceedings, preferred to travel to South America with Cuestas, unconcerned that the proceeding would remain on hold for two weeks.

Nor has the prosecutor general done anything to improve the working conditions under which the investigators' discharge their duties. This is something that hampers the recruitment of personnel for the prosecutors' offices on the borders and in areas where hostilities are still occurring.

For all these reasons, the MP Council is considering the possibility of canceling the contracts made by Cuestas. The difficulty in obtaining information from the MP's Human Resources Department has caused the inspectors to question the good will of the prosecutor general, who has shown little cleverness in concealing his favoritism.

[Box, p 24]

The Wonderful Heirs

Although Ramses Cuestas Gomez' descendants deny it, workers at the Office of the Public Prosecutor think that nothing seems to be as advantageous in that office as being a close relative of the prosecutor general. According to these employees, who accuse their chief of nepotism for having hired his sons as advisers in the institution, the Cuestas Galvez family has over 12 bodyguards in its service, as well as vehicles and cellular telephones. Meanwhile, the prosecutors complain of the lack of resources.

However, this situation is not the one that most annoys those who criticize the Pharaonic dynasty. According to the sources, what is really disastrous is the meddling of the prosecutor general's descendants in the entity's administrative affairs. They claim that this interference has already left negative balances in the MP. As an example, they cite the instances of overpriced purchases of computers, file cabinets, and weapons. And although the informants note that it is difficult to prove the Cuestas' direct participation in the business deals, this does not preclude their holding them responsible for those acts. One of the irregularities detected, which is known to the Office of the Comptroller General, occurred with the purchase of a lot of 15 computers, overpriced by more than 22,000 quetzales. The bid for those machines was awarded to a company that offered the equipment at a low price, since it was not a name brand and had a shorter warranty time. Nevertheless, when the computers arrived at the MP, it was discovered that the brand did not correspond to the one stated in the certificate of award. The keyboards and hard disks did not conform to what had been offered either. After these deficiencies had been observed, the entity's employees who had received the computers notified the prosecutor general of them in writing. However, they never received instructions from Cuestas Gomez on what to do with the equipment.

In response to the accusations against him, Ramses Cuestas Junior denied working for the MP. He admits that his sister, Miriam, assists their father in the entity, but without collecting a salary. Cuestas Galvez comments: "I use my own car, and I have not been implicated in the purchase of equipment for the entity. The charges made against us are false."

First Quarter Economic Performance Viewed

95CA0344B Guatemala City CRONICA in Spanish 28 Jul 95 pp 41-42

[Report by Jessica Garcia Kihn: "Monetary Placebos"]

[FBIS Translated Text] The Monetary Board (JM) has evaluated the economy during the first half of 1995. The figures reflect stability in the price index, and an upward trend in productive activity. And, although it is expected to attain the goals set for this year, the authorities admit that anti-inflationary treatment will not suffice to combat the country's economic malnutrition.

The Diagnosis

The Monetary Board is satisfied. During the first six months of the year, inflation was 3.76 percent: 2.32 points below the rate recorded for the same period in 1994. And this is not due solely to the drop in prices of cucumbers, sweet corn, tomatoes, and onions. It is based primarily on the restriction of liquidity. Edin Velasquez, vice president of Construbanco, remarks: "Since 31 December, the money issue has declined eight percent."

This performance has prompted the JM to predict the attainment of the inflation target. Antonieta de Bonilla, vice president of the Bank of Guatemala (BANGUAT), comments: "By December, prices will not have increased over 10 percent." Nevertheless, Eduardo Velasquez, representative of San Carlos University at the

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JM, questions the validity of the price index. He points out: "The basic shopping basket used by the National Institute of Statistics is over 15 years old, and is not in keeping with current consumer habits. Besides, reality has proven that the purchasing capacity of extremely poor Guatemalans is no larger." In this connection, the president of the National Economic Research Center (CIEN), Hugo Maul, notes that, although the measuring instrument is obsolete, it warrants the determination that, this year, the pace of inflation is slower.

What has not declined is the price of money. Although, during the early months, interest rates for open market operations stood at nearly 13.5 percent, by June they had risen six points. On the other hand, in the banking system the increase was slight. The lending rate rose from 20.3 to 21.1 percent, and the borrowing rate, from 7.6 to 7.8 percent. The BANGUAT vice president explains: "Interest rates continue to be high, but they are lower than in 1993. We must not forget that, for investors, inflation is more discouraging than an increase in the cost of money. If prices rise constantly, it is difficult to calculate costs and earnings."

Fiscal Convalescence

Also inferred from the JM assessment is the recovery of tax revenues. But many are wondering why the public treasuries have begun to regain strength, when President Ramiro de Leon had predicted a financial disaster after the objections against certain laws in the tax reform. According to Finance Minister Ana de Molina, the increase is based on the fact that the Value Added Tax (VAT) credit was limited to exporters, and on the restoration of the quarterly Income Tax (ISR) payments. The minister remarks: "Besides, we have made administrative improvements, and have increased the auditing."

This does not seem to convince the members of Congress. They believe that, although a new tax has been approved, levied on commercial and agricultural-livestock firms, the tax gap exceeds a billion quetzales. Some members of the Congressional Finance Committee recall: "The reform was aimed at an increase of 1.5 billion quetzales, but the Constitutionality Court has suspended eight percent as a definitive payment of the ISR and the tax on net assets." Although De Molina claims that the impact from those protections has not been dramatic, she admits that the tax on commercial and agricultural-livestock firms (approved after the tax war between the government and private sector) has represented a monthly revenue of only 6 million quetzales.

Whatever is the case, the official figures show rises of 34.6 and 31.9 percent in the collections of the VAT and the taxes on imports, respectively. Thus, during the first half, tax revenues reportedly increased by 30.3 percent (629.8 million quetzales), in comparison with the same period in 1994. De Molina predicts: "This year, we could attain a tax burden of eight percent of the gross domestic product (GDP), and a fiscal deficit of 0.8 percent."

The increase in collections is consistent with the performance of the trade balance. The vice president of the Bank of Guatemala comments: "This year, the deficit is $122.7 million: $107.2 million less than that recorded in 1994." That does not mean that there has been a decline in the consumption of foreign goods and services, but rather a larger income in foreign currency from exports. It is there that the improvement in the international prices of coffee and sugar was decisive. During the first half, sales of those products represented income of $422.8 million and $171 million, respectively. However, another influence was the 76.8 percent increase in the volume of exports to Central America, and the 43.5 percent rise in that of nontraditional exports.

A Mild Growth

Another result that has not failed to be surprising is the upward trend in productive activity. Although interest rates remain high, the Monthly Index of Economic Activity shows a cumulative growth of 3.2 percent, particularly in the agricultural-livestock, industrial, and commercial sectors. De Bonilla observes: "It is not that the GDP has increased three percent, but rather that the trend warrants the expectation that economic growth will be slightly higher than the four percent registered last year." In this regard, the CIEN president thinks that the performance of economic activity is due to the excess of available funds.

However, this does not mean that Guatemala has become an economic paradise. Although the exchange rate has remained stable, and monetary reserves are recovering from the amortization of the public debt, a reduction in interest rates is necessary. Nevertheless, the improvement in tax revenues is insufficient to enable the BANGUAT to stop refloating public bonds. De Bonilla explains: "The surplus of 483.8 million quetzales achieved by the Finance Ministry has not been reflected in an increase in ready cash: in other words, in the government's deposits in the central bank." From that account, the Treasury has allocated funds to amortize its internal and external commitments. Therefore, although in a lesser volume, it is still offering CERTIBONOS [bond certificates] on the stock market.

Hence, Edin Velasquez, Hugo Maul, and De Bonilla agree that, to alleviate the monetary policy, it is necessary to recapitalize BANGUAT. It will not suffice for

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the government to adhere to the foreign debt payment schedule. There must be coverage for the operational losses that the central bank has incurred to stabilize the economy, losses exceeding 6 billion quetzales. Maul suggests: "One solution is privatization of the state enterprises. However, laying out highways and hastening the demonopolization of the electrical subsector and of telecommunications are not within the authority of the Monetary Board. It will be necessary to see how the next government arranges to have the economy grow at a real annual rate of seven percent. According to the analysts, this performance is indispensable for enabling Guatemalans to recover the 1980 standard of living by the year 2005.

In any event, the assessment of the monetary policy during the first half indicates that, this year, Guatemala will meet the monetary and fiscal goals set under the International Monetary Fund's Shadow Program. This will occur provided that the Congress does not decide to restore the VAT refunds, as is being debated by the members of the Finance Committee.

Nicaragua

Government Officials Explain DEA Activities

PA2208191995 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 22 Aug 95

[Report by Claudia Sirias; from the "National Newscast" — passages within quotation marks recorded]

[FBIS Translated Text] Government officials have appeared before the Defense and Government Commission of the National Assembly to explain the activities that the DEA will carry out in the country.

[Commission member Deputy Roberto Urroz] "What is unclear — and we want an explanation about this — is the true scope of our commitment with the DEA.

[Government Minister Sergio Narvaez] "That will never happen. National sovereignty will always be respected. DEA activities in Nicaragua will never jeopardize sovereignty."

According to the Government Ministry, the DEA will supply information to fight international drug trafficking.

[Narvaez] "They will basically send an official to the embassy who will be like a police attache and this person will be under the U.S. Ambassador. He will exchange information about drug trafficking and will advise and train or establish training programs for the national police in the area of drug interdiction."

Before this parliamentarian commission the Government Ministry announced that crimes related to drug trafficking dropped 41 percent.

[Deputy Government Minister Frank Cesar] "Crimes related to the drug trade represented 17.6 percent of all crimes and the growing of drug plants represented only 2.5 percent of all crimes. Drug plants grown in Nicaragua consist mostly of marijuana. The possession and consumption of drugs represented 79.9 percent of all crimes."

According to the government the struggle against drug trafficking should involve everyone. It advised the deputies on the need to modernize related laws.

'National Sovereignty' Not Violated

PA2208231195 Managua BARRICADA in Spanish 22 Aug 95 p 2

[Article by William Roiz Murillo]

[FBIS Translated Text] The Nicaraguan Government has authorized the opening of a DEA office only to exchange information with the police and to fight international drug trafficking, and according to Government Minister Sergio Narvaez, this does not violate national sovereignty.

Minister Narvaez and Deputy Minister Frank Cesar appeared yesterday morning before the Defense and Government Commission of the National Assembly chaired by Deputy Roberto Urroz.

Cesar told BARRICADA that "the DEA will be represented by a single person working out of the U.S. Embassy and will be under the U.S. ambassador," and he added that "this person will serve as a police attache specialized in counternarcotics, just as there are military attaches."

He added that "this DEA person will exchange information with the police routinely, and they will design cooperation mechanisms."

Cesar denied that armed DEA agents in our territory will participate in the first counternarcotics "Oceano" operation of the National Police. According to Cesar, the National Police armed the DEA agents for precautionary reasons, because no one knows what is in store.

The deputy minister confirmed before the parliamentarian commission that "the DEA will only collect information in an atmosphere of respect toward the police and laws of our country."

Cesar pointed out that the DEA is present not only in Latin America, but also in Europe and Asia to fight international drug trafficking.

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Meanwhile, Deputy David Blanco said that he knows about the involvement of high-ranking DEA officials in drug trafficking in Latin America, and he added that this is a two-edged sword. [sentence as published]

Minister Narvaez said that the struggle against international drug trafficking requires the cooperation of the governments to defeat this evil in Latin America.

"We must protect our youths and children through the determined efforts of the governments to carry out joint actions against international crime," Narvaez added.

Narvaez and Cesar voiced the need to reform the country's Counternarcotics Law, because it has many voids. They also demanded financing for the National Counternarcotics Council to fund an educational campaign directed at youths and for some training seminars.

Deputy Doris Tijerino, member of the Counternarcotics Commission of the National Assembly, distanced herself again from the installation of a DEA office in Managua.

Tijerino wants the National Assembly, as soon as the political Constitution is reformed, to take matters in hand to learn about and approve the agreements that the Nicaraguan Government signed with U.S. authorities.

In an ironical tone Tijerino referred to the possible infiltration of narcodollars into the upcoming electoral campaign by noting that perhaps the DEA will bring that money.

Leaders of Political Parties Seek 'National Agreement'

PA2308025695 Managua BARRICADA in Spanish 20 Aug 95 p 2

[Report by William Roiz Murillo]

[FBIS Translated Text] Leaders from 17 political parties, including the FSLN [Sandinist National Liberation Front], met on 18 August at the headquarters of the Nicaraguan Democratic Movement (MDN) and agreed to seek a long-term *National Agreement* that will establish a political, economic, and social framework for pulling Nicaragua out of the chaos it is in.

The *National Agreement* proposes a basis for a system of governability for the next 20 years in which the political parties would act independently from their ideologies and their government styles.

Politicians attending the meeting were: Bayardo Arce, for the FSLN; Francisco Rosales, for the National Project; Sergio Garcia Quintero, for the PLC [Liberal Constitutionalist Party]; Roberto Urroz, for the MDN; Reynaldo Antonio Tefel, for the MRS [Sandinist Renewal Movement]; Eden Pastroa, for the MAD [expansion unknown]; Adolfo Jarquin, for the PSD [Social Democratic Party]; Eli Altamirano, for the Communist Party [PC]; and various leaders from the APC [Conservative Popular Alliance] and the PUCA [Central American Unionist Party].

Political leaders of various views and ideologies agreed upon the need to promote a basic *National Agreement*.

There were no opposing voices, only points of convergence to solve political, economic, and social problems so that political parties could recover the public's credibility and ensure the consolidation of the democratic process.

The FSLN was the first party to propose a viable *National Agreement* for the entire nation as the basis to promote a government of National Unity to help Nicaragua recover from its desperate situation.

Roberto Urroz of the MDN spoke of the need to achieve this *National Agreement* in Nicaragua in the long term, which, independently from the government, would move ahead with its own government style within an economic and social framework toward progress.

Urroz added that this *National Agreement* could begin right now in view of the 1996 elections by planning to have honest and clear-cut elections and by embracing electoral ethics.

Urroz told BARRICADA that during the meeting, Commander Arce Castano of the FSLN, Altamirano of the PC of Nicaragua, Garcia Quintero of the PLC, and other political leaders proposed the need to develop a government of National Unity to solve the country's main economic and social problems.

Arroz declared that this first meeting on the *National Agreement* was very well received by political leaders and was a success, there was nothing against it, and the political leaders agreed to meet again within 10 days to continue working and to make more specific proposals.

The National Conservative Party, the UDC [Christian Democratic Union], and the PSN [Nicaraguan Socialist Party] were among the few political parties that did not attend the meeting.

Adolfo Jarquin of the PSD told BARRICADA that this *National Agreement* must be reached in favor of the country's governability to strengthen the continuity of stability and democracy.

Jarquin Ortel said, "a minimum of commitments should be made for the 1996 elections to be as free as possible, to achieve the greatest drawing power among Nicaraguans to prevent electoral absenteeism, and to

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demonstrate that political parties are interested in solving Nicaragua's problems."

FSLN Plans Broad Alliances for 1996 Elections

PA2208165495 Managua BARRICADA in Spanish 17 Aug 95 p 7

[Report by Carlos Garcia Castillo]

[FBIS Translated Text] Bayardo Arce Castano, member of the Directorate of the Sandinist National Liberation Front [FSLN], reiterated yesterday that the black-and-red party will run in the 1996 elections making broad political alliances which will make the country viable and governable.

Arce said that "the main ingredient in our electoral strategy begins with the recognition that we are a country which urgently needs to be viable. Nicaragua cannot continue to be polarized, politically speaking.

"The country cannot endure polarization and political confrontation, and the international community will not be willing to finance us eternally if we continue with the logic of black and white extremes" Arce said.

Arce believes the viability of the country is possible with the installation of a National Unity government, which essentially requires a basic agreement based specifically on a policy of broad political alliances, which the FSLN is willing to promote facing the 1996 elections.

For the Sandinist leader, the political ties of his party could be made with forces which are willing to formulate positive policies. "The FSLN cannot speak of alliances with political groups — such as Somocist-Liberalism — which plans to return to the past and install a neo-Somocist regime," Arce said.

"Every political party that is willing to open spaces and positive perspectives for the country, far removed from reprisals and the Somocist past, is a potential ally of the FSLN," Arce emphasized.

The member of the Sandinist directorate said that his party has not yet initiated formal talks with other political forces to define the character of the Sandinists political alliances in keeping with the instructions of the Sandinist Assembly, the maximum regulating organization of the FSLN.

However, Arce affirmed that his party is arduously working on a calendar for meetings with possible political allies.

Arce stressed that his party's electoral commission is simultaneously drafting a document — which should be approved by the end of September — to define the mechanics for choosing the FSLN candidates to various popularly elected positions.

The Sandinists expect to begin their internal electoral process in October, Arce concluded.

Panama

Legislator on Unfavorable Conditions To Renegotiate Bases

PA2208120795 Panama City LA PRENSA in Spanish 20 Aug 95 p 1A

[Report by Rolando Rodriguez B.]

[FBIS Translated Text] Oyden Ortega, president of the Legislature's Foreign Affairs Commission, said "there are no favorable conditions" at present for Panama to begin renegotiating the U.S. military bases established in this country.

The legislator said that each time Panama has negotiated with the United States to obtain something favorable for this country, "it has obtained so under very special and very favorable circumstances," and currently these conditions do not exist.

General Barry McCaffrey, commander of the U.S. Southern Command, said on 17 August that the United States should renegotiate the military bases in Panama, and a proposal in this regard could be discussed by President Bill Clinton and his Panamanian counterpart Ernesto Perez Balladares during his upcoming visit to Washington.

Former Panamanian Foreign Minister Ortega admitted that the renegotiation of the bases or a treaty "is very difficult and complex." In his opinion, it is important to consolidate what has been achieved thus far and to accomplish the subsequent tasks like, for instance, the use of the reverted areas.

According to the legislator, there is no pressure from the United States for this country to accept a renegotiation of the military bases, however, McCaffrey recommended to maintain a minimum force of 1,000 soldiers in Howard and 4,000 in another base, maybe Clayton.

McCaffrey's recommendations are backed up by the Marine Force, Air Force, and Marines Corps, although the Navy is somewhat concerned about the cost of maintaining a force of 4,000 men in Panama.

Sources from the Panamanian Foreign Ministry said the Panamanian Government is open to any negotiation, although this does not necessarily mean that it will be accepted. The spokesman pointed out that before any decision is made, the Panamanian society would be consulted through a plebiscite.

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Article on Labor Code Struggle

PA2208200895 Panama City LA PRENSA in Spanish 18 Aug 95 p 35A

[Article by I. Roberto Eisenmann, Jr.]

[FBIS Translated Text] Our country has experienced tense and uncertain days. Let us make an assessment. To be fair with my readers, I must make a couple of profound confessions before starting. First, I have never read the Labor Code despite my 37 years in business. I have always viewed it a set of minimum legal requirements from which one should keep a great distance while trying to offer leadership and overcome the biggest known barriers.

I think that the important thing about the code is how it could affect micro-businessmen, because in this country they are the macro-employers. If I do not know the code, much less do I know about the struggle over the reforms, and thus, this will not be a technical assessment of the reforms, but a macro-political assessment. Secondly, I must confess that when faced by a repression I am naturally inclined to sympathize with the repressed.

This is the result of a life dedicated to a rebellion against authoritarian "authority," of constantly hearing voices around me complaining that my attitude and actions were "harming the country" and the "propitious atmosphere for investments" and other nonsense typical of those who lack a futuristic outlook and are simply repeaters of cliches that always favor the powerful one in charge.

After making these confessions, let us start our analysis. First, although I do not know about the articles of the Labor Code, I can assure, from the outlook of local businessmen, that the code cannot create new jobs regardless of how good it might be. No sane businessman would ever say: "The Code is good; let us hire 50 more workers!"

At the level of international competition, the code is an ingredient in the analysis of multinational businessmen in their decision to establish his company in country "A," "B," or "C." They analyze salary levels, cost of benefits per dollar paid in salary, productivity, and flexibility of the labor relationship.

Given that our salaries and benefits are irreversibly higher than in Haiti (and I hope that they will continue to rise along with productivity until reaching a dignified level), only the aspect of the flexibility of the labor relationship is variable... which is what the government said it wanted to achieve. Conclusion: The code will not create jobs. Making the code more flexible will allow us to proclaim abroad the virtues of our country with an additional competitive advantage. Thus, we must become more efficient, as a country, in selling our advantages as home for businesses and institutions.

One could fail or succeed in this selling effort. The potential for success hinges upon many other factors besides the code. One clear example: Everyone, locally and abroad, says and knows that Panama has all the ingredients necessary to become a tourist emporium that could create thousands of jobs in the short run; however, so far we (and I include myself) have failed in our goal of attracting vacation tourism.

In contrast, Cuba, which has many very negative ingredients, is achieving incredible success in attracting vacation tourism. No one, thus, should think that jobs will be created by simply changing the letter of a labor code. It is simply an ingredient that improves our competitivity as a nation. If we fail to add the many other necessary ingredients, we will achieve nothing, and the population's frustration could grow geometrically.

Now let us move to the political arena. I have said this before and I reaffirm it now. Although it is true that the civilized thing to do was to sit down around a negotiation table — and many labor unions did so (some by conviction and others simply as a submissive gesture), we must also recognize that businessmen enjoyed an influential edge during the summit at the palace.

This is why the attitude assumed by Genaro Lopez and Suntracs [Single National Union of Construction and Related Workers] of total independence from the state branches and of total intransigence, although apparently unadvisable and incomprehensible at first, will be beneficial for the democratic system in the long run, and no one should be fooled about this, will also be beneficial for the labor sector.

Regardless of how the new code looks like, it would have been worse for the workers had it not been for the pressure applied by the struggle and sacrifices of construction workers. I must add that Capac [Panamanian Construction Board] handled the difficult situation in a supremely judicious manner.

In the area of institutional democracy we were for moments dangerously caught between anarchy and the temptation of autocracy. Had the government yielded completely to the labor pressure its ability to govern for the remaining four years would have been impaired.

Furthermore, the labor code would have been frozen in time for forever and ever and this would be extremely dangerous for any law in any country and even for the labor sector, which would also be frozen in perpetuity after achieving an apparent initial "victory." After all,

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codes are instruments for weak unions. Strong unions achieve things through negotiation.

If those on the government side had achieved a victory without any problems, arrogance and a natural temptation for autocracy would emerge. They would think that they can achieve anything in the future and this situation would be extremely dangerous for the democratic institution of the nation... a completely defeated labor sector would have been equally dangerous for the country's future.

The struggle that followed the first approval of the reforms in second debate — which was apparently favorable to the businessmen, a situation that led to the declaration of a general labor strike when other unions joined Suntracs — forced the government to negotiate again to improve the workers' position. In the end all parties involved in the process were hurt, and thus, nobody can claim victory, and this I think, spared us from the dangerous extreme of anarchy or autocratic temptation.

The tension, the uncertainty, and the struggle forced all parties to make concessions, to show creativity, and to give birth, with all the brutal pains of a delivery, to the new code.

The government, which suffered a tremendous political beating at the hands of its natural allies, must now run at a mile a minute — after adding all the ingredients to the soup — to try to produce concrete and measurable results in the form of new jobs and social relief to show that the sacrifices that everyone made were worthy.

In general terms, the opposition was discredited by its opportunist behavior. The Papa Egoro Movement showed a more serious analysis.

The post-crisis environment will remain stuffy. There was the tragedy of the dead, injured, and jailed. Rekindling the enthusiasm and initiative of Panamanian men and women will require a great, persistent, and supremely efficient effort on the part of the president and his team.

The final outcome is yet to be seen. There are only "minus" signs showing some potential today. The "plus" signs needed to obtain a positive outcome are not in the letter of a law, but in many other things that are missing...

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Argentina

'Failure' of Policy 'To Seduce' Falklanders Viewed

PY2208154595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1934 GMT 18 Aug 95

["Special Report" by Jose Maria Monzon: "An Anticipated Failure"]

[FBIS Translated Text] Buenos Aires, 18 Aug (NA) — The policy of trying to seduce the Malvinas Islands inhabitants implemented by Foreign Minister Guido Di Tella over the past three years, seeking to advance toward Argentina's sovereignty over the islands, seems to have entered a risk zone over the past few days as a result of the frustrating results of the negotiations over oil exploration around the islands.

This week the foreign minister was forced to recognize at a joint session of Congress that a failure was almost certain and that he did not have a proposal to face the islanders unilateral decision to make an international call, in October, for the right to explore for oil around the islands.

The Kelpers bid would be like a death certificate for the policy of rapprochement that the Foreign Ministry has been eagerly implementing, and even worse for the minister, it will open a door through which ruling party groups with alternative solutions to the Malvinas question might enter the fray.

Following the meager results achieved by Foreign Policy Under Secretary Guillermo Gonzalez at a meeting in Madrid on 14 August, the foreign minister had to allow one of his main critics, [Justicialist Party] Senator Eduardo Menem, to raise a bill proposing sanctions against domestic and foreign companies that participate in the Kelpers' bid.

The senator, who chairs the Senate Foreign Relations Committee, thus found an opportunity to draw up a strategy for the Malvinas Islands. Even though the foreign minister clearly understands his plans are at odds with those of the senator, Di Tella had no other choice but to openly support the senator's proposal.

Envisaging impending failure, Di Tella has already assessed the possibility of implementing punishments like those proposed by the president's brother, but realizes that this is not the best time as negotiations with the United Kingdom are still possible.

The foreign minister would have preferred a more moderate mechanism to hold back the Kelpers — not the harsh mechanisms raised by the senator in his proposal. Foreign policy positions must be supported by progress and, as far as this oil issue is concerned, the minister does not have much to crow about.

The disagreements between the senator and the foreign minister on negotiations on the Malvinas Islands became obvious when the senator openly supported Mario Campora, the former Argentine ambassador to the United Kingdom, who sought a more firm position toward British advancements.

Campora is currently Senator Menem's main adviser on foreign policy issues. Thus, it is not hard to guess the source of this proposal that the minister had to accept reluctantly.

From his post as Argentine ambassador to the United Kingdom Campora became involved in a bitter argument with Di Tella that some interpreted as a desire to become the next foreign minister. The disagreements between Di Tella and Campora reached such a point that President Carlos Menem was forced to support the minister's decision to replace Campora with a fully trustworthy man, Rogelio Pfirter.

Before leaving his post, Campora proposed, as a way of countering the British advancements, to open bids for six offshore oil areas in Rio Gallegos. The transfer of these areas to private companies had been canceled at the specific request of the foreign minister, who said it was necessary to avoid friction and to seek rapprochement with the islanders.

These continental shelf areas might frustrate a successful unilateral British bid as companies in the oil business would be forced to choose between the two proposals.

The foreign minister is still undecided on the latter alternative and, in view of an impending failure of the oil negotiations, prefers to make a final and unprecedented attempt involving the formation of a binational commission for cooperation in the South Atlantic. This commission with the British would include all issues on which an agreement must still be achieved, with the exception of the sovereignty issue.

Government Reaches Agreement With IMF for 1996

PY2308025495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0044 GMT 23 Aug 95

[FBIS Translated Text] Buenos Aires, 21 Aug (NA) — Economy Minister Domingo Cavallo announced tonight that Argentina is at the threshold of achieving "a total agreement" with the IMF regarding the fiscal goals for 1996.

In what turned out to be good news within the framework of a ponderous news conference, Cavallo stressed that "today we have practically decided the sums with the IMF officials, and I can report that we have reached total agreement."

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Cavallo had been questioned as to whether the repercussions of his charges about the actions of mafia groups in power had found an echo in international credit organizations, and that possibility was flatly denied.

He added that the agreement includes the 1996 economic period and therefore it will also include an agreement on the extended fund facility loan that expires in March 1996.

The technical revision of the public accounts for the first six months by the IMF technicians concluded in August, when Juan Llach, economic programming secretary, announced the beginning of an agreement.

The IMF's board of directors will meet during the second week of September to study Argentina's case and give its approval to the agreement with Argentina, which, according to the minister, will also include the 1996 period.

Through the agreement, the IMF has exempted Argentina from having to achieve a two billion peso surplus that would have been added to the Central Bank's reserves.

'Salient Points' of Cavallo News Conference Noted

PY2308025295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0057 GMT 23 Aug 95

[FBIS Translated Text] Buenos Aires, 22 Aug (NA) — The following are the salient points of a news conference called by Economy Minister Domingo Cavallo this evening:

— I consider myself to be totally supported by President Carlos Menem and the cabinet.

— I am not speculating with regard to my resignation. I am holding this position to accompany President Menem and to do my utmost to benefit the country.

— The government is combating the mafias; there is no infighting.

— The Menem administration is the one that has fought against corruption and the mafias with the most might and main.

— [Deputy] "Chacho" Alvarez laid an ambush for me.

— Alvarez asked me to grant him an audience, which I naively agreed to, and he showed up accompanied by a photographer and one or two deputies.

— In a move to place himself in the limelight, Alvarez pressed charges against me regarding concealment.

— This is not true, because Alvarez knows that in the course of the meeting, I informed him about all the charges I had filed before the courts.

— I will appear before the Chamber of Deputies tomorrow to give more details about my charges against "mafia" activities in Argentina.

— No ruling party congressman or government member is linked to the mafia activities I denounced.

— Menem is very well aware of the mafias, but he would rather not use that word. He says that one should talk about criminals.

— Radical Civic Union Deputy Enrique Benedetti is a "battering ram for mafia activities."

— [Antinarcotics Secretary Eugenio] Lestelle called me 23 times to ask me to increase the budget for his secretariat, and as I did not answer his calls, he became angry with me and came out with accusations claiming that I am not interested in combating drug trafficking.

— What [Justicialist Party candidate for senator] Erman Gonzalez said reflected his own personal views.

— [Secretary General of the Presidency Alberto] Kohan is an honorable person because he decided to accept the resignation of an official — his second in command, Juan Carlos Cattaneo — who was under suspicion.

'Malaise' Seen in Government Over Cavallo's Charges

PY2308015295 Buenos Aires LA NACION in Spanish 22 Aug 95 p 1

[FBIS Translated Text] There is an undisguised malaise in Government House and the Justicialist bloc in Congress on account of the charges pressed by [Economy] Minister Domingo Cavallo. Moreover, Vice President Carlos Ruckauf has voiced his conviction that we must "prevent our industry from being left to the mercies of economic and social dumping".

Ruckauf threw in his lot with [Buenos Aires Province] Governor Eduardo Duhalde, who got into an argument with Cavallo about the advisability of protecting domestic industry. This clash just fanned the flames caused by Cavallo's remarks asserting that there are institutionalized mafias in Argentina.

Furthermore, even though he praised the economy minister for conscientiously discharging his duties, the vice president defended the idea of breaking up the Economy Ministry into two, an idea which Cavallo opposes because he considers it a curtailment of his power.

A source close to the cabinet chief complained: "In the midst of our concerns about unemployment, high interest rates, and the regional economies, Cavallo comes out with remarks that have caused a stir on the

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political scene, and with accusations against members of the ruling party because Congress has not yet enacted an absurd law (the privatization of the Post Office), as he wanted."

In light of the controversy concerning Cavallo — whom LA NACION tried to interview yesterday, but to no avail — Alberto Kohan, secretary general of the Presidency, emphasized that "nobody is indispensable in this administration." He dismissed Cavallo's charges, saying: "They are useless unless he provides the names of the culprits and takes them to court."

Tacchi's Resignation Viewed

[Article by Daniel Naszewski: "Official Known for Tax Reform Resigns"; from EL CRONISTA COMERCIAL news summary 2 Aug 95]

[FBIS Translated Text] Almost simultaneously with the publication of the fact that the tax collection total for July showed a decline of 6.3 percent from the figure for July 1994, and one of four percent from the total for the preceding month (excluding the funds diverted to the AFJP), it was announced that Carlos Tacchi was resigning. At first glance, the figures would almost seem to demonstrate that Argentine tax income does not depend on the abilities of a single man, since the figures have been declining for several months, in view of Tacchi's inability to reverse the trend.

But the reality is that the simple reasons given by this official for his resignation suggest that the system had a greater capacity than his own forceful personality to cope with the various sectorial pressures—the same pressures that transformed the Argentine "black economy" into just another sector, one as important in quantitative terms as industry, agriculture, or services. Another more influential factor was the sudden recession initiated by the Mexican crisis, which is clearly demonstrating the limitations of a tax structure that functions well during periods of expansion, but does not do so when economic activity is dwindling. There were too many negative factors to allow him to continue.

The figures confirm the fact that Carlos Tacchi became famous, and rightly so, as the man who dared to do battle with the informal economy, winning an initial battle in 1992 when he succeeded in imposing an evasion-proof billing system from which few escaped. In that year, he achieved an increase in the nominal total collected of no less than 45.2 percent, while retail prices were up 17.5 percent and the GDP increased by 8.7 percent. This meant a real increase of almost 14 percent "captured" (a term frequently used by this former official) from the "black economy," and it marked the beginning of talk about the "Tacchi effect," meaning nothing less than open warfare against tax evasion.

In 1993 and 1994, on the other hand, this effect lost its spectacular aspect, and what progress was made appeared to come much more slowly. In nominal terms, almost enough was collected to sustain real fiscal income. The nominal collection figure for 1993 was up 12.5 percent, while inflation was down 7.5 percent and the GDP was up by six percent. Thus in real terms, there was no increase in the total collected. Something similar occurred in 1994, with a nominal increase of 9.6 percent, as compared with 3.9 percent for inflation and a 7.1 percent increase in the GDP.

But these figures must be dealt with very carefully, since in those years, Domingo Cavallo's supply-oriented policy came increasingly into play, with more tax exemptions and refunds on exports, reductions in specific tax rates (the notorious distorting taxes), tax agreements with the provinces, downward customs adjustments, rebates of employers' contributions—all of these factors serving to prevent a much greater increase in the collection figures. Put in a different way, it was very clearly the "Tacchi effect" that made a fiscal strategy designed to reduce external business costs possible in the years just past—what EL CRONISTA described at the time as "devaluation without devaluing." Carlos Tacchi's passion to seize the remainder of the still extensive "black economy" in Argentina will not be readily replaced, although many in Argentina are breathing more easily now.

Bolivia

Supreme Court Elects New President

PY2208233195 La Paz PRESENCIA in Spanish 3 Aug 95 p 7

[FBIS Translated Excerpt] Sucre, 2 Aug — The Bolivian Supreme Court held a plenary session on 1 August and elected Justice Edgar Rosales Lijeron from Santa Cruz Department president of the court. Justice Rosales Lijeron will occupy this position for only 10 months because that is all that remains of his constitutional 10-year term in office. [passage omitted]

The following are the key positions of the Supreme Court:

President: Edgar Rosales Lijeron, representing Santa Cruz Department;

Doyen: Hugo Dellien Barba, representing Beni Department;

Deputy Doyen: Hugo Poppe Entrambasaguas, representing Chuquisaca Department.

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Justices Oscar Hassenteufel Salazar, representing Chuiquisaca Department, and Guillermo Arancibia Lopez, representing Tarija Department, have been tasked with modernizing Bolivia's judicial branch. [passage omitted]

Municipal Elections To Be Held 3 Dec 1995

PY2208233495 La Paz LA RAZON in Spanish 3 Aug 95 pp A8-A9

[FBIS Translated Excerpt] The administration has issued a supreme decree officially setting 3 December 1995 as the date for the municipal elections. These elections will be the first held after the amendment of the Constitution. [passage omitted]

The key portion of Decree 24,074 states: "Municipal elections will be held on 3 December 1995 to elect mayors, council members, and other municipal officials, who will serve four years, beginning on 1 January 1996 and extending until 31 December 1999. This will be the first election held in compliance with new constitutional provisions following the appropriate reconciliation made in keeping with Transitory Article Three of the National Constitution."

European Countries To Fund Alternative Development

PY2308004295 Cochabamba LOS TIEMPOS in Spanish 3 Aug 95 p A2

[FBIS Translated Text] La Paz, 2 Aug — The Ministry of Government announced today that the international community has pledged to Bolivia the disbursement of $24 million to be allocated for carrying out various alternative development programs and projects having, in the view of the government, "an immediate social impact."

Social Defense Secretary Victor Hugo Canelas termed the international disposition to cooperate with Bolivia in the struggle against drug trafficking "an encouraging and positive signal for Bolivia, indicating that the numerous commitments taken up by donor countries are materializing."

The drug czar reported that he received five requests from diplomatic representatives of European countries for visiting the Chapare region accompanied by Ministry of Government authorities to observe, analyze, and assess the areas through which they could channel their investments.

Government Clarifies Umopar Actions in Killing

PY2208185295 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 22 Aug 95

[FBIS Translated Text] Social Defense Secretary Victor Hugo Canelas accused coca growers leaders of setting up a publicity stunt over the death of peasant Jose Mejia Piso, who was killed by members of UMOPAR [Mobile Police Unit for Rural Areas] on 18 August.

Canelas gave the media a copy of Mejia's birth certificate to prove the government position that the peasant in question was not a veteran of the Chaco War as reported in Chapare. Jose Mejia Piso was born on 27 August in Tiraque, Arani Province, and this month he would have been 58 years of age. Therefore, he could not have been in the Chaco War. Canelas said the coca growers used the wrong age to distort the real events in the drug enforcement effort.

Canelas added that Mejia was not murdered. After showing the birth certificate, he said the peasant was not murdered. The official report says Mejia was armed with a rifle and fired at an Umopar patrol. A patrol member was wounded and this is when Mejia received several shots that killed him.

Canelas said the report that the peasant was murdered is a lie. He said ballistic tests were made and it was verified that Mejia was loading his rifle again and the bullet got stuck. This is when he was hit several times and died instantly when one of the bullets hit a vital organ.

Administration of Protected Areas Evaluated

95WN0240A Santa Cruz EL MUNDO in Spanish 8 Jul 95 p A4

[FBIS Translated Text] The Santa Cruz Departmental Forum on the Environment and Development (FODEMADE) is very much troubled by the unusual interest which a certain non governmental organization is displaying in the natural resources located in Amboro National Park and its excessive concern about "administering" these resources.

In this respect we wish to provide the following information. The Friends of Nature Foundation (FAN) presently has under its care the following protected areas in the Department of Santa Cruz.

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Areas Protected by FAN in the Department of Santa Cruz

1. Noel Kempff Mercado Park	Ha.	706,000
2. Santa Cruz Vieja National History Park	Ha.	17,000
3. Silvestre Rios Blanco y Negro Reserve	Ha.	1,500,000
TOTAL		2,223,000

Source: Project for the Protection of Natural Resources in the Department of Santa Cruz, 1992

To these 2,223,000 ha of protected areas in the Department of Santa Cruz which FAN "administers" it would only be necessary to add the approximately 600,000 ha (borders still not defined) in Amboro National Park for FAN to have monopoly control of all protected areas in the department. Local residents and people from outside Bolivia are asking themselves what qualifications FAN has to "preserve" these resources for the country and the region. (Every day we read complaints about the incursions of Brazilians in Noel Kempff Mercado Park.) In the same way everyone knows that, behind the eloquent speeches in defense of natural resources and ecology, there is also an interest in managing "ecotourism" [ecological tourism], currently one of the most profitable business activities. Ecotourism (an activity which generates millions of dollars) has been characterized by isolating large regions of great natural beauty so that foreigners may enjoy them, because the charges which the FAN collects from foreigners to visit them are so high that Bolivians have no access to them.

There are pretensions and distortions which must also be seen behind the activities of these defenders of the environment.

The fight going on over the administration of Amboro National Park poses two totally opposed views against each other regarding what a protected area should be.

The peasants' proposal for the administration of Amboro National Park not only considers research and ecotourism but also sustainable development, in a spirit fully committed to the conservation of the natural resources and wealth which the park contains. The intention is to retain the genetic wealth which is found there, so that it may be processed and controlled by Bolivian industry. The peasants' proposal also provides for areas of research, where young students may become acquainted with and learn to manage these resources, using practices verified by professional experts.

In this entire proposal by the peasants it is stated that conservation and development must go closely together and that they are inseparable.

This proposal provides for demonstrating sustainable development, which the government so strongly advocates.

This proposal is presented in a country where 48 percent of the people are peasants and where 86 percent of the agricultural population lives below the poverty line. Repeating the statements made by foreigners about the defense of natural resources, without including the ordinary Bolivian as the principal beneficiary of the defense of life (biodiversity), involves acting in bad faith or even pursuing interests foreign to Bolivian realities.

We will only have a Bolivia where development is sustainable if we recognize the ability of the people born in this country to administer the resources among which they have lived for more than 500 years. We will only be able to speak seriously about conservation and the environment if we allow our people to participate in development.

The Santa Cruz Departmental Forum on the Environment and Development.

Footnotes

1. In this respect FODEMADE is unaware as to whether this nongovernmental organization has ever informed the public regarding its administrative activities in the various areas which it controls.

2. In the agreement which FAN signed with the government on the administration of Noel Kempff Mercado National Park it is provided that only "50 percent of the animal or plant species collected in the park by Bolivian or foreign scientists will remain in the country." (See EL DEBER of 14 March 1995.) The remaining 50 percent of these species will be for the benefit of other countries or foreign interests.

Concerns Surrounding National Park Privatization

95WN0240B La Paz HOY in Spanish 19 Jul 95 p 6

[FBIS Translated Text] Conservation units or protected areas in Bolivia cover about 10 percent of the territory

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of the country. Stated in real terms, this means an area of about 100,000 square km. We do not have precise data about this area, due to problems involved in defining the borders of some of these territories or determining their extent, which has not yet been done. This may be due to their size, as in the case of Sajama National Park, which includes the snow covered peak of Mount Sajama. Another such example is the status of the Cotapata Santa Barbara National Park and Integrated Management Area, whose real area, due to its still recent establishment, has not been defined.

The extent of the protected areas comes close to the recommendations made by experts on the subject. Nevertheless, what has deprived them of acceptance and consolidation has been the lack of a rational criterion for their establishment.

Almost all of the protected areas in Bolivia (with some exceptions) have been established under the strong influence of spontaneity, reflected either in: the beauty of the countryside which has caught the attention of some high ranking, government official; a need for resolving various problems such as borders, as in the case of Isiboro National Park; ending the exploitation of natural resources by certain groups; and, finally, mitigating the environmental impact caused by the construction of highways.

This process of establishing protected areas not only reflects a lack of any scientific or technical criterion. Rather, it has an impact on the demarcation of the borders of such areas. They have been drawn on the map, bisecting legally established towns or settlements by indigenous people. This situation is clearly reflected in the southern border of Carrasco National Park, which was drawn without the least scientific and technical concern (for the change made in the old highway to the city of Santa Cruz and its replacement by a new highway). This action has affected more than 2,000 peasant families, whose tenancy of the land is supported by legislation still in effect. A similar situation is reflected in Amboro National Park, in which the borders established reportedly include an area of 200,000 hectare (ha) which are claimed by peasant communities.

To all of what is described above must be added the neglect of these areas. This has resulted from the fact that squatter settlements within their borders considerably reduced their total area. State authorities have ordered the recent establishment of these parks where some conflict has arisen. Nevertheless, the neglect of these parks is a notorious fact and can be seen in the fact that a park with an immense amount of territory, such as Isiboro Secure National Park, only has 10 park wardens to cover an area of 1.0 million ha. This means one warden to cover 100,000 ha.

The central elements for the adequate functioning of these areas are the establishment of correct categories of parks and, following this, the implementation of a management plan. Many of the protected areas have never been properly categorized. Some of them should be recategorized as a matter of need. For example, we could point to Isiboro Secure National Park. It has the category of a national park, but it is also a territory belonging to indigenous people. As a result, in the future it will be necessary for this duality of purpose to be resolved before preparing a management plan.

As a corollary of these improvised actions, conflicts have arisen with varying levels of intensity in the protected areas. The common denominator is social conflict over the borders with the towns which surround them.

The present status of the parks has been aggravated by the decision of the Ministry of Sustainable Development to "privatize" the administration of the protected areas, as is being done in the Department of Santa Cruz. This is an aspect which has led to its rejection by the peasant population and has caused doubts to emerge regarding the ministry's true objectives.

In this respect several questions have emerged. What is the borderline between scientific and commercial considerations in the new administration? Who will benefit from the resources obtained from the exploitation of these areas in the interest of tourism? Is it proper to turn over these areas, even for administration, to private entities if they were initially designated as the collective property of the Bolivian people? What is the future of the remaining, protected areas? How can the resources derived from biodiversity be controlled by private entities? Why should the beneficiary of these concessions be a single institution? Where do the counterpart resources offered by such an institution come from? How can we protect against the possibility of improper use of genetic resources?

Of additional and significant importance for the Bolivian people is the fact that government authorities have expressed these doubts, because we are talking about 10 percent of the territory of Bolivia which is about to be administered by private institutions. It is necessary for the appropriate authorities to provide more information to the people, especially regarding the extent of the agreements made, the distribution of resources, and fundamentally the degree of supervision which the state exercises over this national wealth.

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Brazil

Cardoso Holds News Conference on Tax Reform

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[Question-and-answer portion of news conference by President Fernando Henrique Cardoso with domestic and foreign correspondents at the Planalto Palace annex in Brasilia; correspondents identified by screen caption — live]

[FBIS Translated Text] [Ana Paula Padrao, TV Globo] In order to approve all these reforms, the government needs a strong support bloc in Congress. The PFL [Liberal Front Party] played an essential role for this process in the first half of the year. I would like to know whether with the crisis at the Economico Bank and with the threat of part of the Bahia PFL to shift to the opposition, first, whether you are taking into account this opposition, the possibility of this opposition. I would also like to know if with this opposition, the consequence of the economic crisis would then emerge as a problem for the approval of the reforms by Congress. Third, I would like to know whether this opposition could promote a rift within the PFL, which supports the reform and the government program.

[Cardoso] In the first place, I have not heard from any PFL member any reference about not approving the constitutional reforms or about joining the opposition. I have kept in touch with the PFL leadership and their position is different: Their position is one of understanding, of the absolute need for reforms, and of readiness to help the administration in implementing its program, which is also theirs because it was approved during the electoral campaign. No one supported the president and his campaign program expecting that he would not fulfill it in the future. The PFL has expressed to me its confidence in the continuity of the reforms. The reforms are not for parties, but for the country. The reforms are national needs, a national imperative. I therefore believe there will be nothing of the sort. Let us not mistake one thing for another. In fact, the problem of the Economico Bank is limited, and, in my opinion, from the political standpoint, it has been overcome.

[Carmen Luiza, CBN radio] The government has proposed a radical reform for the income tax paid by corporations. Why isn't the same thing being done with the income tax paid by individuals?

[Cardoso] It is being done. The bill on the income tax paid by individuals will be submitted immediately. It is impossible to do everything at once because this could even upset the assimilation of ideas. Yet the bill modifying the income tax paid by individuals will certainly be submitted, in due time for Congress to study it and approve or modify it, according to its own criteria.

[Regine Mamede, TV Record] I would like to know, if the Central Bank had been totally free from the influence of politicians, whether the government could have prevented the political damage it suffered with the intervention of the Economico Bank. If your answer is affirmative, I would like to know if you would take the initiative to make the Central Bank independent, and when this would be done.

[Cardoso] This is a very important topic. I imagine that Congress should now complete its reforms and start working on the subject. What type of independence? What type of relations? I believe Article 192 of the Constitution, which deals with the financial system, must be regulated. And not only in this regard. For example, we should take advantage of the opportunity for creating what has never been accomplished, which is a system of insurance for bank deposits. Things should be done so that the Central Bank is not always saying: What are you doing with Mr. So and So, a poor account owner? Account owners indeed do not have protection and it is necessary to have insurance. Without this insurance, whenever the Central Bank intends to take action, society reacts, demanding more justice for account owners.

Therefore, I believe it is not only a matter of an independent Central Bank. The entire financial system should operate more consistently with the current situation. We will submit some proposals, especially concerning insurance. We are open to discuss the type of independence that will be proposed, because there are many experiences, there are various types.

I should say that in our system, despite the fact that the law sets forth no independence, the Central Bank has operated with full independence, at least since the time of President Itamar Franco up until today. The government has taken no action against the technical work by the Central Bank. I believe it is essential to guarantee the stability of the purchasing power of the national currency. The Central Bank action should be consistent with this goal, establishing the conditions for the bank to guarantee the purchasing power of the currency.

[Jose Maria Trindade, Radio Jovem Pan of Sao Paulo] Mr. President, the Economico Bank case has ultimately had a political fallout both within the administration and in Congress. I would like to know if you will keep your word of not investing any treasury money in the Economico Bank, and if you are, I would not say afraid, but intimidated by Senator Antonio Carlos Magalhaes?

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[Cardoso] Your question does not make any sense. We must look at every issue from the standpoint of the public interest, not regarding individuals. Who could intimidate the president of the Republic if he is complying with a mandate, if he is aware of what he is doing, if he has clear purposes? No one, except for the president's conscience itself. My actions are guided by my conscience.

Society at large must realize that things have changed; that when we enter a negotiation, a discussion process, we cannot keep this process isolated from this or from that. No, no. Things are very clear, they can be easily explained. In the case of the Econonico Bank, I believe we are already brewing a tempest in a tea cup. The issue is already in the hands of the appropriate officials. Discussions are already under way between the interested parties and the Central Bank [BC]. My concern is to determine whether we could preserve the interest of depositors, make the bank operate again because this would be in the legitimate regional interests of Bahia — I repeat, this is a legitimate interest.

The use of BC funds to rescue the bank has never been an issue, except for those the BC had invested there earlier. The issue here is what approach should the BC take to guarantee the recovery of its resources invested in the bank.

[Luciane Aquino, RBS news agency] Mr. President, one of the most controversial topics of your tax reform is the compensation fund for those states which will lose revenues compared to large exporters. You have briefly mentioned the issue, but could you elaborate on this and confirm to us if it was indeed this topic that delayed the submission of the tax proposal to Congress until today, instead of sending it last week?

[Cardoso] No, that is not preventing anything. Nothing will prevent it from reaching Congress today, unless there are typing or related problems. Compensation will be given as follows: 10 percent of the IPI [Industrial Products Tax], which we believe should be equivalent to 1.3 billion reals [R] in revenues. We are also considering transferring the Rural Land Tax to the states. We also believe that improvements in the collection of the ICMS [Goods and Services Movement Tax] through a joint effort by the federal and state administrations will also bring larger revenues to the states. Thus, we have alternatives for compensating the states. I can assure you that my administration and I are fully committed to giving compensation to some states.

It is now a question of calculating and of verifying how that compensation can be implemented. Our commitment is firm and the governors are aware of this. It is always easy to criticize proposals before reading them, especially questioning the government's disposition. This is not a government that says one thing, but does another. No. We deliver on our promises. We can make mistakes, but we will correct them later, because we are living in a democracy. Yet, it is not our mission here to deceive the states. On the contrary, it is essential for the financial health of the federal administration that the state administrations enjoy good financial health. Otherwise, we will not achieve anything. The crisis is of a fiscal nature, which does not affect the federal administration, but the Brazilian state. I must say that the states are making an effort to correct this problem. I must also report that state-owned companies obtained a surplus during the first half of 1995. We have brought public accounts under control for three or four years. To do this, the states must count on resources. We are not trying to put the federal administration against the states. No, no. Our motto is to have the states, the federal administration, and the municipal governments working together in favor of Brazil.

[Adriana Vasconcelos, O GLOBO] Good morning, Mr. President. Even though you already stated that the Treasury will not invest a penny to rescue the Economico Bank, the PFL president yesterday said that the losses must be shouldered by both the treasury and the private banks. Finance Minister Malan has negotiated with private bankers since 18 August and the president of the Real Bank stated yesterday that private banks are willing to help pay the Economico Bank account holders by granting a loan to the treasury. Thus, the treasury would once again be involved in the negotiations. Do you concur with this proposal? I would like to raise another issue: Why is Minister Malan, and not the BC president, the main negotiator?

[Cardoso] The possibility of a loan to the treasury has not been considered. Second, this is not a question for the president of the Republic, but for Minister Malan, who is the supervisor of the BC president. They are the ones who are discussing the issue. Third, what PFL President Jorge Bornhaussen — who is inclined to make very objective and constructive remarks — said was something else. He said what I said here a moment ago; that is, that the BC has invested resources in the Economico Bank, and what we are trying to determine is which would be the best way to restore the conditions for the BC to recover its funds, whether it would be possible for the bank to operate, and for the administration to grant guarantees to the bank depositors, even though there is no insurance or a legal binding rule for the administration to give such guarantees. Our administration is not acting with an iron fist in this case.

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There are no personality disputes at stake in this case, even though I have seen that some are time and again attempting to make this look like a personal dispute. There is no such dispute at stake here. Those of us serving as president or as cabinet minister of the administration are accountable to the public. Our responsibility goes far beyond personal disputes. We are pursuing the best interests of Brazil and of the BC. Thus, when we say that we are not going to throw money away we mean that we are not going to pay to enable the owners of the bank to retain the bank, or to enable the new owners to receive the bank at zero cost.

We want to create conditions to allow the bank, if possible, to operate. Because the BC already has funds invested in the bank, we must calculate how we can recover those funds in the medium term. Issues which should not be politicized — because they are not related to either personal or regional disputes — are unfortunately being politicized in Brazil. Nor should these issues be discussed with a widespread sense of distrust. They should be objectively analyzed. How could we obtain the best possible results? In the worst of circumstances, what can we do to reduce our losses to a minimum?

The Economico Bank was indeed brought to an extremely difficult situation. The curious thing is that the current debate is not focusing on the main issue; that is, how did the bank reach this situation? Who should be held responsible for this situation? Neither I, nor Sen. Magalhaes, nor the BC can be held responsible for this.

[Elmano Silva, ISTOE Magazine] Good morning, Mr. President. Since the day you took office, the administration has been adopting several measures to reduce the rhythm of our economic growth. The medicine has been very bitter and has caused some large wholesale companies to go bankrupt and somehow it even harmed the banking system. Some other measures were adopted afterwards to smooth the situation, but the hardships continued. My question is, what is lacking to enable Brazil to resume the growth rates it had at the beginning of the year?

[Cardoso] The growth rates we had at the beginning of the year were unsustainable and we want a sustainable growth. These rates would have resulted in a growth rate of 12 or 15 percent per year. With this rate we would have had huge imports and this would have originated an exchange crisis and make supply scarce, which would have resulted in increased prices. This is not our policy. Our policy is not to make believe that we can grow from 10 to 12 percent per year, because we still cannot do it. Our policy is to clearly tell the country that if we manage to grow from five to six percent per year for a certain period of time, and still manage to preserve economic stability and keep inflation under control, as well as to reestablish investment mechanisms, then we will be able to say that Brazil has experienced an economic jump.

Nevertheless, this cannot be achieved through pyrotechnics. This is why the government has been avoiding to do what other administrations have done. For wanting to give the impression that the country could grow, some administrations stepped on the accelerator. I will not give historic examples or refer to what happened in the 1980's. We did not want to do that because we are responsible people. We preferred the burden of having to answer questions like yours, which is a good enough question, instead of simply fooling the country and making everyone believe that we had grown all we could and that all problems had been solved. We have never said that. We have always said that stabilization is a process, an effort, that the administration is doing what has to be done. Our growth rate is still a good one. But don't let yourselves be fooled. There are still problems in some areas and, naturally, those who are affected by these problems are not interested in learning what is happening to the country as a whole. They are interested in what is happening to them. I understand that very well.

I also know that the government must pay attention to certain individual cases and closely follow some specific cases, but the administration cannot overlook its objectives. These objectives are established by the figures I have just mentioned. I frequently see people making analyses based on isolated cases, such as the case of a large company that has gone bankrupt or has called a composition of creditors. Perhaps this company has been having problems for the last 10 years. When a stabilization process begins, however, everything that the inflation phenomenon had hidden, because it had allowed these problems to be rolled over, to be muddled through, comes into light. This, however, can no longer be done. This is why the stabilization process causes certain imbalances. Who wins as a result of the stabilization process? The people do. They were the ones who were paying for these imbalances through inflation. Now the people are eating a little better, although A, B, or C have had losses.

Our administration is not implementing a program to benefit those who have always been benefited throughout history. Our program seeks to benefit the largest number of Brazilians possbile, who represent the silent majority, who do not even protest. If the administration harms the interests of organized institutions or of a bank that is having a problem, the entire nation trembles. As a matter of fact, I don't even know if Brazil really trem-

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bles. It is the media that writes out headlines, but the people do not tremble. But this is a minor fact from the point of view of the entire country.

Those who are the object of our concern, i.e., the majority of Brazilians, however, do not even have channels to reach you members of the media and to tell you whether they are eating better or not. Any measure that affects organized interest groups makes these groups protest. As a result, it gives the impression that they are defending the country's general interests, but they are not. This is why the administration believes it has all the conditions to continue growing, because — as a matter of fact — we have never stopped growing.

Currently, the mandatory deposits [compulsorios] are being reduced because the government has realized that it has already reversed a situation that has been created for reasons alien to our actions, such as the Mexican crisis. We also believe that we have reversed the effects of the impetuous growth rate, which we could not have maintained unless we had agreed to fool everybody, but I have not been elected to fool anyone.

[Monica Waldvogel, SBT Television] Good morning, Mr. President. Returning to the Economico Bank case, the Central Bank has been claiming that to liquidate a bank such as the Economico Bank could prove more expensive to the country than to rescue it. Therefore, if it proves necessary to use public funds to finance this rescue operation and to purchase such a bank, would you authorize the use of these funds? Would this be more convenient and avoid greater losses because it would not be possible to recover the resources the Central Bank has already invested in the bank? I would also like to ask you why it is so difficult to punish those who are responsible for the bankruptcy of a bank such as the Economico Bank. We have never seen anyone responsible for the bankruptcy of a financial institution be punished in Brazil. In this specific case there is much evidence but the Federal Revenue, as well as the Central Bank, have been claiming that it is very difficult to punish the culprits. In this specific case, will the administration show that this has changed and that, as you have said, Brazil is tired of seeing this sort of impunity?

[Cardoso] Regarding the first question, I will do what the Federal Supreme Court does. I can only answer specific questions. I cannot answer theoretical questions, so I will say: I do not know. I do now know what Central Bank suggestion you are referring to. I cannot say whether this suggestion is better or worse than any other. After listening to reasons exposed by the Central Bank president and the finance minister, I will always choose what is best for the country and not what is best for A, B, or C. Is the solution the best one for the majority of the people? Will the resulting losses harm the country to a greater or lesser extent? These are the questions that will guide my answer. We are not discussing a political issue. This is a matter of objectively analyzing the issue. I cannot answer your question, however, because I have not received any such suggestion or proposal. What I can tell you is that the administration is not willing to invest money to make believe that there has been no problem. It is clear, however, that in this case someone will have to bear the losses.

This will lead us to the second part of your question. Some similar cases have already been punished in Brazil, but I cannot precipitate things. I still cannot say whether the Economico Bank problems are the result of bad management. If this is proved so, responsibilities must be checked on and the case must be taken to court. I do not want to prejudge the situation. I have never step foot in the Economico Bank. I have never seen any of the Economico Bank accounting books. Luckily, I do not have a single penny deposited there. [laughs]

[Laura Fonseca, JORNAL DE MINAS] Good morning Mr. President.

[Cardoso] Good morning.

[Fonseca] I remember an interview you granted to a foreign correspondent two months ago, which was reproduced in our newspapers. You said, and I quote, I never thought it would be so easy to govern Brazil, unquote. Nowadays, after the crises represented by Dallari's resignation, the Economico Bank problem, Senator Antonio Carlos Magalhaes' attitude, and the need to obtain congressional support, I will ask you again: Do you still have the same opinion?

[Cardoso] Yes, I do, because several of the crises you have mentioned are nothing but tempests in a teacup. The so-called Dallari crisis is but a tempest in a teacup. It has not been a crisis. It was merely a problem that he solved himself in accordance with what he thinks. As far as I know, the Chamber of Deputies' committee that investigated his case applauded his decision.

The issue of the Economico Bank is a limited case that has been blown out of proportion. This fact has hurt the chances of finding a solution to the problem. Yet this is normal. We are making an enormous effort to make changes in Brazil and to promote stabilization. I have learned from the newspapers that there is a crisis involving the administration's political base. Nothing has happened. No one has approached me to tell me this or that. I gave the appropriate explanations to those who contacted me.

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I have a great deal of confidence, as I have often said, not in my political skills, but in the country. That is the difference. I have confidence in Brazil, in the people, in society. The people understand, they can tell a staged performance from reality, as well as facts from rumors. There is a small circle of people who crave the perplexities we all contribute to create, perhaps by uttering words which are unnecessary, but which are immediately blown out of proportion. The truth of the matter is that most Brazilians do not fall for these exaggerations. They are acting as I mentioned earlier. They are confident in the country.

I do not find it difficult to govern a country whose people want to advance, who have regained their self-esteem. I do not claim credit for instilling the Brazilians with self-esteem again. They should be credited with having done this themselves. Anyone going abroad knows what the foreign magazines are saying about Brazil today, that Brazil is a country that attracts growing investments. Not a week passes by without my receiving visits by groups informing me about new investments in Brazil. This is a country that is now back on its feet.

Would I say that it is difficult to govern Brazil? It was difficult for me to serve as finance minister when inflation ranged from 30 to 40 percent monthly, and when we had a Congress — it is true — which was unable to get anything done because it had gone through the traumatic process of a presidential impeachment and a crisis involving the congressional budget committee. Thus, the administration then did not have a political counterpart in Congress. I know what that meant. You witnessed how I had to go to Congress to fight, often alone, to obtain congressional approval for something that should have been readily approved.

The situation is different today. Today we have a Congress that is aware of things, that has approved extremely important reforms. Brazilians have not even celebrated the changes. The Senate has just approved three highly significant constitutional reforms with a large voter turnout. Congressional leaders, as well as the presidents of the Chamber of Deputies and of the Senate, have shown a great deal of competence and loyalty in this undertaking. They have shown loyalty, not to me, but to the country. They have shown a sense of commitment to the reforms.

Brazil now has political leaders who are committed to the reforms and a population who, despite everything, is showing both understanding and support. Although there may be some variations, the average rate of approval of the administration has been consistent. Why? Because we are trying to accomplish things in good faith, sincerely. My God, why would it be difficult to govern a country that makes it possible for all this to happen? It is easy. It is just a question of having, as I do, an unshakeable resolve and of acting in good faith.

[Claudia Bomtempo, TV Manchete] Good morning, Mr. President. Rio Grande do Sul Governor Antonio Britto is one of the toughest critics of the tax reform you are proposing today. In his opinion, the tax reform should be more daring by envisaging a larger distribution of tasks and a larger reduction in the number of taxes. He believes the tax reform proposal is timid because Planalto Palace did not want to be more daring as a result of its lack of political support. Governor Britto endorses, however, the presidential reelection proposal and the creation of a large social democratic party by merging the PSDB [Brazilian Social Democracy Party] with dissidents of the PTB [Brazilian Labor Party] and of the PT [Workers Party].

My first question is whether you can confirm the creation of this party with a view to your possible reelection. I would also like to ask you for your reaction to Governor Britto's criticism of lack of political support.

[Cardoso] In the first place, I do not have the slightest idea about the political party issue. I believe that my administration counts on the support of several parties and the president of the Republic is not favoring any specific party, not even his own party. I am not really involved in this matter at this time and do not think that it has any priority for the administration now. I do not know about it.

Regarding the tax reform, it is just being disseminated now. It is just being sent to Congress now, not only in terms of the constitutional reform proposal itself, but also in terms of the changes some deputies are proposing, and of the amendments to the income tax law. Everyone is going to see then that this reform proposal is in no way timid, but rather that it is sensible.

I have never believed in a single salvage plan. I have always said that a leading proof of underdevelopment is the idea that everything can be resolved easily. I do not want to indicate that I could end inflation with a single shot. This type of position is not mature. It is not in keeping with a country having Brazil's degree of development. If a government considers that it can do away with a tax system with a single stroke, then that government is not responsible. Governor Britto agrees with me.

I hope that, based on the comments he is making on the reform proposal, Governor Britto will join us in this undertaking. I am certain he will join us.

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These reforms are designed to change many things. Even those claiming that the tax reform proposal should be more aggressive must specify how. Besides, Congress will receive the proposal and it may be as daring as it chooses. The president of the Republic will support any daring move as long as it is not injudicious, as long as it ensures a stable road for public finances, for the companies, and for the people. There will be no problems. Yet, we do not want to rule out any type of proposal that might be raised in Congress, including those regarding compensations for the states. We are open to ideas. I repeat, this is a government made up of serious, plain people who act in good faith.

I believe our ministers are competent. We know what we are doing. Thus, we are not afraid of any changes that could be made to our proposal. On the contrary, the president will willingly support any path that would allow us to take longer steps. Now, these reforms will yield positive effects. They are consistent and will promote major changes in the direction we all want. It simplifies the tax system, and it reduces the number of taxes. I have not yet discussed — because the time has not yet come for this — what we are going to do about social contributions, what are we going to do to reduce the social burden on wages.

Many things are changing in Brazil and everything must be done at the right time. I have always said [pauses]...do you remember when they started to torment me with my first 100 days in office? This is wrong. This does not make any sense. This 100-day period is just intended for show, for a publicity display. We will not have just 100 days, but four years in office. I have always said, and will repeat here again, that we are going to make reforms all other times. We are going to modify things. This is a process. Our country is already involved in this process. The tax reform proposal, that is, the constitutional amendments and legal measures we are proposing are part of this process and will unleash other changes within Congress. Governor Britto will be a major ally in this effort.

[Joao Borges, TV Bandeirantes] Mr. President, in your various answers to questions concerning the Economico Bank case in this news conference, you said first that this was a problem that had been resolved from the political standpoint, that this was not a matter falling within the jurisdiction of the president of the Republic, and, finally, that the case had unfortunately been politicized.

I would like to ask you whether we should interpret your words as an exercise in self-criticism by the president who, on 17 August, met with Sen. Magalhaes, the Bahia congressional bloc, and the Bahia governor to discuss the BC intervention in a private bank.

[Cardoso] Look, whenever the members of a congressional bloc ask to meet with the president, the president will meet with them, especially taking into account that the mebers of that bloc and its leaders were acting in good faith and were seeking to resolve a problem. Well, as I just said, I have not laid down the technical aspects of the problem. They have been laid down by the BC.

Now that the goals pursued by each party have become quite clear, it would no longer be appropriate for me or for the Bahia bloc to take any action. Rather, the issue is now in the hands of the Bahia governor, of his finance secretary, and of the Bahia experts, as well as of the finance minister, the BC president, and the administration's experts.

[Borges] Isn't it a form of self-criticism, then?

[Cardoso] I am not afraid of engaging in self-criticism, either. If someone shows me that I made a mistake, or if I found that out by myself.... [changes thought] I believe that he who is incapable of engaging in self-criticism cannot speak for the country. A presumptuous individual will not be worthy of the people's confidence. Perhaps I could have been less condescending in the meetings, but that would not be in keeping with my style. I like to talk to people and all I did was guided by no purpose other than that of seeking to resolve a problem, which is a real one. I believe those people who contacted me were guided by the same intention. I have neither said nor do I believe that the contrary is true. They want to resolve the problem, but sometimes one does not have the overall view of a problem, as I myself do not have that view in many cases. We want to show, at least politically, that we are truly interested in solving a local problem that is affecting those having their deposits in the bank, Sister Dulce and her charity projects, and retired individuals. My God, why shouldn't I?

Now, neither I nor any politician may get involved in determining the way to resolve this problem. It is not incumbent upon us to do that. It is appropriate for us to call attention to the problem and to set up the framework within which we want to implement a process for achieving a solution. Yet, we cannnot impose any solution on those who are effectively in charge of managing complex financial issues.

[Nazi Brum, TV CNT] Mr. President, despite the administration's efforts, the social security reform proposal has been sitting in Congress. You announced that you are going to resume the negotiations on the reform. What is going to change now? What strategy will your administration follow to unblock the social security reform proposal?

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[Cardoso] Through the government leaders in Congress, the administration has already proposed talks in the Chamber of Depouties to create a forum in Congress so that the members of Congress themselves may supply facts and elements of judgment.

The social security minister has kept in touch with unions and federations, which those which are open to dialogue, of course. I hope that all of them will be willing to talk with him to contribute to finding the appropriate solutions so that their rights may be protected. The process is already under way, and as soon as the negotiations in Congress are concluded, we will be able to define more clearly with the minister and with the government leaders what could pass and what could not pass in Congress at this time.

[Ian Simpson, REUTER] Good afternoon. Many people have viewed last week's events in Congress as proof of the difficulties you are facing in Congress, especially in terms of pressure exerted by political parties and organized groups regarding specific subjects. It appears that a demand is being placed on your desk every week. What challenges will you and the Real Plan have to meet to overcome these pressures, and what strategy are you going to follow to do that?

[Cardoso] Look, luckily for Brazil, we are living in a democracy. Pressures are commonplace in a democracy. Pressures also exist in undemocratic countries, but in this case the people are not aware of them. Here everyone knows about the pressures.

The amount of pressure exerted was so meaningless, especially in the case of the constitutional reforms, which are far-reaching reforms. Most votes in Congress stemmed from convergence, from the desire to change things here and there. No proposal was blocked. The Congress did not block anything then; why should it block these proposals now? It is not going to block anything. Pressures are so meaningless.

There is a common desire to bring about the reforms, and the administration has a great resolve to address problems. This is a fact because we are addressing problems; we are not sweeping the dust under the rug. I am truly very confident that these reforms will be accorded good treatment in Congress. Good treatment by Congress does not mean that the Congress will pass a bill as soon as I push a button at Planalto Palace. It does not work that way, and it should not work that way.

I served as a senator for many years. I respect not only the Congress, but the various segments of society as well. I want to note, however, that we are moved by our firm commitment to follow the set course and by our democratic decision to listen, which does not mean to yield. To listen truly means to pay attention to the arguments of the other party. If the argument is valid, the administration may change its position. Yet, the administration may also rebut the argument of the other party. I am very confident about the support the Congress will give — I repeat, not to me because I have already received the people's support — but to the Brazilian people, who today need these reforms. [Renata Verissimo, Invest News Agency] We know that social contributions have a chain effect affecting economic efficiency and make our exports less competitive. I would like to know, first, why the government proposal hasn't touched on this issue, and, second, what changes will be introduced to income tax laws affecting individuals, whether the administration is going to repeal the 35 percent tax bracket because the Federal Revenue Secretariat figures show that the above income bracket has had virtually no effect on revenues.

[Cardoso] Look, I mentioned here that the administration is studying the possibility of reducing the social burden on wages. We are working to this effect and will come up with a proposal. It is not possible to do everything at once, but we are going to do that too. We are studying mechanisms, ways of eliminating the impact of social burden on wages, how we could finance essential activities such as those of Senai [National Industrial Apprenticeship Service], and related activities, without affecting taxes, which truly have a chain effect on costs. Government experts are studying this matter and, at the appropriate time, I will report to you in this respect.

Regarding the income tax for individuals, I have already answered the question. The administration is going to submit a draft law on individuals. Just as we are trying to reduce the tax burden for companies, the administration will obviously try even harder to do the same with individuals, not only regarding those within the 35 percent tax bracket, but other taxpayers as well. Those in the 35 percent bracket are a minority. This may not have had a positive effect on the administration's revenues, and thus it would not make any sense to make life difficult for a rich minority. Our main concern, however, does not rest with this minority, but with the majority; that is, those wage earners paying between 15 and 25 percent. We are examining the possibility of finding a mechanism to make a proposal that would be fair as far as reducing the tax rate and expanding the tax base is concerned. You can rest assured about this.

[Ribamar de Oliveira, O ESTADO DE SAO PAULO] Good morning, Mr. President. Last week you guaranteed that the treasury will not spend a cent to pay for the debt of the Economico Bank or to save it. However,

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newspapers have published articles quoting the administration as having said that the Central Bank has already put 4.3 billion reals, R, in the Economico Bank.

I want to ask three things. First, why did the Central Bank take so long to intervene in the Economico Bank if it was known that it was in trouble since January?

Second, how will the Central Bank recover the loans it granted to the Economico Bank?

Third, the Bahia congressmen are demanding treatment for the Economico Bank clients equal to that given the clients of the Banespa [Sao Paulo State Bank] and Banerj [Rio de Janeiro State Bank]. Do you think their demand is fair? If you do not think it is fair, don't you think that the administration has created two kinds of clients: One who receives full guarantees, and another whose guarantee only reaches R5,000?

[Cardoso] All right, let's take this by parts. First, that figure of four point whatever, was never been brought up to me and it is not true. I do not want to go into details on this because I do not have the information. The finance minister is here by my side confirming that that figure is not true. Second, since we are going into technicalities, you must understand the way the system works.

In any place in the world, central banks have a rediscount [redesconto] system for banks which is a collateralized loan charging high interest rates. For example, a bank is experiencing difficulties, so it resorts to the Central Bank; it offers the Central Bank collateral, and obtains a loan with interest rates that it must pay. It is not a favor. This credit is not granted as a favor to banks. It is a mechanism that allows the system to work. Therefore, this is a normal mechanism.

The Central Bank was observing the Economico Bank, which was seeking in the private market a formula to change the control stock and obtain new resources. Such a solution would have been better because it would have avoided — this answers your other question — harm to its clients and even the treasury. New owners would have had financial conditions to guarantee already contracted loans. The Central Bank has not put money in the Economico Bank for nothing. It has lent it money.

What the Central Bank must now ask itself is: How will I recover my loan? It is Central Bank money. It is not money given away; it is a loan granted with collateral. How can the Central Bank then collect this collateral to recover the loan granted? That is the issue. That is what must be understood; otherwise, people will have the impression that the Central Bank is putting money in the Economico Bank. That is not so. It is lending it money. And the sum involved was not the figure you mentioned.

The other question was about the clients. The Central Bank intervenes in banks, in part, to safeguard their clients. That is why it prefers that banks not close down. What is the difference with the Banespa case? The Central Bank did not decide to intervene in the Economico Bank for purely evil purposes; there was a run on the bank. Clients hurried in to withdraw their money. They began to empty the bank. Therefore, the Central Bank had to intervene or else the money it had there would have also gone down the drain.

That was not the case with Banespa or Banerj. The clients of the Banespa and Banerj did not lose confidence in the banks. It was a different case. The Banespa and Banerj lost the confidence of the rest of the banks, which first began to charge very high interbanking interest rates to the Economico, and then refused to give it loans, leaving it to the Bank of Brazil alone to do this. It was another case. There was no need to close down these banks because clients were not rushing into them to withdraw their money.

If I am not mistaken, no private bank in Brazil has been intervened in like in the case of Banespa. [as heard] Why? Because clients believe that the treasury will honor their deposits. Private bank clients sometimes do not have confidence in their banks. This is not good because the Central Bank must make a great effort for this not to happen, and to prevent a run on the bank, because it would be bad for every bank. Therefore, the run must be stopped. Thus, the Economico did not receive different treatment. The situations were different. It was not ill-intention on the part of the Central Bank, or a desire to protect one bank and not another. They cases were different.

Brazilian law does not foresee the requirement of insurance, which should exist and which should be paid by the banks, not by the government. This is a matter for private banks, not public banks. Why should the government be responsible for the money of private bank clients? Clients are the ones who choose a bank. The administration must be responsible for the transparency of the bank accounting balances. This is the point on which I think our law is not good, nor our banking practices.

According to the law, the government, however, is responsible for five percent of the savings. This notwithstanding, since the administration is not insensitive to the demands of society, it must also be alert to the effects that this problem could have on the economy of the region, not of Bahia State alone, but also the states

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of Pernambuco and Sao Paulo. The administration must remain alert to the effects.

The administration is not an entity that is above everything else and does not care about what happens. No. The administration must try to prevent these problems because they are part of a process, a social and economic process. Right? Therefore, the administration is concerned about this. However, the administration does not have a legal obligation to save the clients of private banks. The administration is concerned about the social and economic consequences. The administration is, therefore, determining, within the framework of the few rules that our credit protection system has, what it can do.

It is the appropriate moment for us to discuss this. This is a discussion that is worthwhile. How can we protect the credit of everyone? With a law that will force banks to have insurance. In the United States, bank clients have a guarantee for up to $100,000. The funds are not guaranteed by the government.

Therefore, why should contributors, that is, you and me, why should we pay for what happens in another bank? We should not. It would represent a burden for us. The banks themselves should pay for it, or, perhaps, all the contributors, if they so desire, could pay an additional fee — I do not know how this could be done — to guarantee deposits.

It is important that we learn a lesson from what happened and not retain just a superficial impression of things. Much less should we judge the attitude of so and so, of the president, or of a senator. Our attitude is not at stake here. I repeat, I am not withdrawing a vote of confidence in the Bahia congressional bloc. On the contrary, the Bahia congressional bloc expressed consideration for a problem that was their concern. Perhaps the Bahia congressional bloc did not have complete information, not was it aware of the whole process. It was not really its obligation to know. It simply had to give a signal that it was aware of a problem in Bahia. That is what happened. It sounded the alert, indicating that a problem existed. The congressmen had to react, and they did so. They said, let us see how to solve this problem. Understand?

But the government did not apply different treatment. No, it did not. They were different problems.

I want to thank you very much for your patience, and I want to ask you something. Let us remain optimistic. Let us no longer look to the ground or behind us. Let us look forward. We have a defined horizon. We must remain firm. The administration has a direction — Brazil has a direction. Brazil has done well, and it will continue to do well.

Cardoso 'Disappointed' by Tax Reform Reactions

PY2308030895 Sao Paulo AGENCIA ESTADO in Portuguese 2210 GMT 22 Aug 95

[By Ricardo Amaral]

[FBIS Translated Text] Brasilia, 22 Aug (AE) — The reaction of entrepreneurs and politicians to the government's tax reform proposal has disappointed President Fernando Henrique Cardoso. The president expected the announcement of the project to elicit demonstrations of support, because of the plan to reduce taxes and simplify the tax collecting mechanism. During a dinner with members of the PSDB [Brazilian Social Democracy Party] bloc in the Senate in the evening of 21 August, Cardoso said he was bewildered by the criticism.

The senators quoted the president as saying that "I don't understand why FIESP [Sao Paulo State Federation of Industries] said that the proposal is timid." "The proposal is consistent, modern, and advanced." Cardoso actually expected the announcement of the tax and administrative reforms to displace the Economico Bank crisis from the headlines. Says a politician, who is a friend to the president: "The Economico Bank case caused a great shock to the president."

In order to bury the subject, during the dinner the president asked some senators to promote the withdrawal of the signatures of government senators from a request for creation of a CPI [Congressional Investigative Committee] that will investigate the financial system. The CPI, in addition to keeping the Economico Bank case alive, "will disturb the reform process," PSDB Senate leader Sergio Machado (Ceara) said.

The dinner was held at the apartment of PSDB Senator for Sao Paulo Pedro Piva, the same apartment in which the president lived when he was a senator. In this case, however, the apartment decorating scheme was designed by the new tennant. The host took the president to a television set, in an isolated room, at the moment when the first lady, Mrs Cardoso, was being interviewed on Hebe Camargo's program. In a good mood, the president saw Camargo giving his wife, as a present, a wooden egg for darning socks such as the ones he was wearing last week. As a gift, Piva gave the president some imported socks.

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Chile

U.S. President's Foreign, Nuclear Policies Viewed

PY2308015695 Santiago EL MERCURIO in Spanish 22 Aug 95 p A3

[Editorial: "Nuclear Tests"]

[FBIS Translated Text] President Bill Clinton has said that his country would support a total moratorium on all types of nuclear tests to accelerate the approval of an international treaty for that purpose. "This is leading us closer to the day when no nuclear weapons will be exploded on the face of the earth," Clinton said. The White House declaration allows, under certain conditions, the resumption of nuclear tests, and for this reason it is possible that the treaty would be more symbolic rather than constituting significant progress toward world peace.

Prior to Clinton's statement, the United States, like Russia, supported a treaty that forbade large nuclear tests, but allowed the explosion of relatively small bombs, up to the equivalent of 500 tons of TNT, or 30 times less than the bomb dropped on Hiroshima. Although Secretary of Defense William Perry denied it, several sources reported that the Joint Chiefs of Staff recommended maintaining this capacity to guarantee the correct functioning of the country's 7,000 nuclear weapons, some of which are almost 30 years old. The Republican senators seem to think the same way because not long ago they approved the disbursement of $50 million to prepare small nuclear tests.

To guarantee the Pentagon's support, Clinton added a clause that would allow small nuclear tests, subject to congressional approval, in cases of involvement of "extreme national interests" or if the safety or reliability of the atomic arsenal were to be in doubt. For this purpose, an annual certification of the nuclear warheads would be established, and maintenance programs would be intensified, including the investment of $1 billion in the construction of a center intended to monitor the triggers of the bombs.

With this announcement, Clinton is once again changing the course of his foreign policy, which has not been characterized by its consistency. The unexpected virulence of the opposition against the nuclear tests France will conduct in the Mururoa Atoll — protests which the Chilean Government has joined — together with the subsequent announcement by French President Jacques Chirac that France will reportedly support a total prohibition of nuclear explosions after those tests, has made it difficult to maintain the U.S. position in favor of smaller nuclear tests.

The diplomats are expecting important developments in the Geneva talks to achieve an absolute prohibition of nuclear tests. It is expected that Great Britain will support the French and U.S. positions. China, which continues with its tests, has supported the moratorium, although occasionally it has also supported tests for "peaceful purposes." Russia, however, changed its policy last week, announcing its support of a prohibition.

It is possible that the elimination of nuclear tests will thwart the proliferation of those weapons, which represents a desirable objective, but we must admit that despite the end of the Cold War, nuclear weapons will not disappear, and their reliability, with or without tests, remains a very important factor.

Frei Proposes National Reconciliation

PY2208161895 Santiago EL MERCURIO in Spanish 22 Aug 95 pp A1, A12

["Text" of speech to the nation by President Eduardo Frei over voluntary radio and television network on 21 August; place not given, quotation marks as published]

[FBIS Translated Text] "Chileans: I have the moral and political duty, as leader of the nation, to report on actions by my administration on the subject of national reconciliation and on the decisions I have made on this issue which is so sensitive for the country.

"I would like to explain to all my countrymen, in a truthful way, the context in which these actions have developed; the spirit and content of the proposal I made to the various representatives of the national community; and the convictions I learned during the talks.

The Situation in the Country

"So as not to lose our direction, we must consider every situation that emerges within the context of our great national objectives. We all agree that the current Chilean historic task is to reach a new threshold in its economic, social, political, and cultural development. We have the possibility and resources to change the country decisively over the next few years. We can become a more prosperous, just, and fully democratic country. This is a historic opportunity that must be assumed by our generation with courage, decision, and optimism.

"We have reached this promising situation thanks to the accumulated work of generation of Chileans, of successive governments, of those who hold public office, of women and men of all activities and conditions, and of civilians and military men.

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Deficiencies and Limitations of our Coexistence

"As I pointed out in my message of 21 May, the progress of the country has both positive and bright aspects, and also shadows and difficulties. I pointed out this real situation so as to prevent any ideas of easy success, the belief that everything is well, and that the road to progress is quick and easy. This is how I clearly explained to the nation the magnitude of the challenge ahead of us.

"Events of the last few months have shown the limitations and vacuums of our coexistence and our institutional functioning.

"It was painful to learn that reconciliation among Chileans has still to be achieved. The human right violations trials from the past and the historic context in which they occurred reopened deep wounds within the national soul. Our past conflict burst under a heavy burden of fear and resentment creating uncertainty and worry.

"The government had to face delicate situations during these past few months. It faced them with full respect for the laws and the state of law, and persuaded leaders and institutions to act in a similar manner. Within all this the people learned the limitations of our democracy. It became more obvious that some institutions within the Republic are not functioning because they are restricted by regulations that are not part of our constitutional tradition.

"The country has witnessed the reemergence of animosity between military men and important sectors of Chilean society. Military men feel intimidated and persecuted by political revenge. Others demand that military men have no privileges of any kind compared with other Chileans. This kind of resentment creates deep disagreements which do not help the construction of a national defense policy based on the support of all the people.

"These tensions emerged forcefully over the past few months and are creating uneasiness among the population. It would be a mistake to downplay their importance or believe they do not exist. The healthiest thing is to admit them, to take the responsibility, and to search for a constructive solution. This is a demand created by our current condition. Imagine how much energy could be released for our great tasks if we overcame this problem.

An Understanding for National Reconciliation

"When a nation has experienced serious conflicts, its moral reconstruction becomes a permanent task. The idea is to reestablish the essential values of peace, freedom, and solidarity which are necessary for our political, economic, and social development.

"After decades of confrontations, we have progressed in the construction of new and richer agreements that use past experience to project us toward a future of social peace, justice, and equity. We have reached a basic agreement on the administration of the economy; there is support for the government concern to offer equal opportunities to the poorest Chileans; and it is recognized that the tasks of modernization being implemented are a basic requirement for development. We have been able to define shared ideas that allow us to continue to build the nation on a daily basis, but we need to move ahead even further.

"Our dedication for unity and search for a better future for everyone requires that we permanently search for ways to pacify spirits.

"Important steps have already been taken. The Truth and Reconciliation Commission already opened our eyes to the global truth of what happened. A package of initiatives that vindicate the dignity of the victims and repair, at least in some way, the damage done has been disclosed.

"There are some issues, however, that are still pending: Many trials are not advancing because of a lack of information, especially because nothing is known about the whereabouts of missing detainees.

"No man or woman who loves Chile can deny that achieving a national reconciliation demands an explanation on the individual fate of the missing detainees. Their families deserve respect for their suffering and the elemental consideration of knowing what was their fate. As chief of state, I hereby express my gratitude to the relatives of victims and express my admiration for their generous attitude. Amid their pain, they have made an exemplary contribution to the reconciliation of our fatherland.

"We must also achieve a true national agreement if we are to perfect our democratic institutions. There can be no true national reconciliation if deep mistrusts arise whenever our institutions are put to work.

"Our democracy needs no organization to protect it. Not just because the national political situation has changed, but also because we foresee a stable growth and promising future ahead of us. We must strive to back this process with an institutional system that is supported by the majority of Chileans so that stability becomes definitely established in Chilean political culture.

"It is time, therefore, to investigate how our democracy works without fear, without tutelage, without safeguards

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that undermine the dignity of citizens, whose sovereign will is the basis of its existence and legitimacy.

Reconciliation Demands an Overall Agreement

"We must be able to achieve a political and social agreement on these matters to guarantee our development. Hidden tensions, unresolved issues, and open wounds undermine the stability of our institutions and deteriorate social coexistence. We must be honest with ourselves: The country has not achieved a full reconciliation; we have an imperfect democracy; the military and a large part of civilian society have not established communication bridges integrating them in a large national project.

"These are closely interrelated issues. It would be foolish and prejudiced to try to resolve only some of them and defer an overall solution of problems that have been dragging for years. If we are truly interested in taking a leap forward, we must confront pending issues in a decisive manner through an overall strategy.

The Objective of the Bills

"Fellow Chileans:

"The country stands witness that the president's intervention in this debate has been repeatedly requested. Some have even arrogantly demanded me to exercise my presidential powers, thus resorting to obsolete slogans used in old disputes. Others, after a period of long silence, suddenly urged me to intervene in the great moral problems that burden our social coexistence. At the time, I clearly stated that I would make a specific and clear proposal when the proper conditions were given.

"Over the last few days, I have met with top officials from the judicial and legislative branches; with the commanders of the Armed Forces and the forces of order; with the Cardinal Archbishop of Santiago; with representatives from numerous Churches; with the presidents of the political parties that make up the CPPD [Coalition of Parties For Democracy] and the opposition; and with representatives of human rights organizations.

"I have explained my points of view and some specific proposals to all of them. After listening to valuable comments and suggestions I have been able to ascertain that aside from legitimate differences that may exist about its content and form, most national representatives are willing to engage in a serious debate of these issues and to participate in it with a constructive attitude.

"Thus, seeking to advance toward a true national reconciliation, I have decided to submit to Congress a package of legislative bills. These are the result of a careful study on overall national needs.

"These draft bills are as follows: one on regulations for establishing the truth about missing detainees and other human rights violation cases; another that amends the Organizational Law of the Armed Forces and Carabineros regarding the retirement of generals and admirals to allow the president to fully exercise the powers established in the 1980 Constitution; and a third proposing the restructure of the Constitutional Court and the National Security Council and the democratic election of all members of the Senate.

"In submitting these bills, I am fully aware that there are no laws or decrees that can impose a reconciliation among Chileans. I do so fully aware of the fact that there is no perfect formula to once and for all settle court cases that will have a tremendous impact on history and human beings. I am deeply convinced, however, that these proposals are just one step in a long undertaking, that they are realistic, that they are serious and, that they are consistent with our long democratic tradition.

The Time For Responsibility

"Chileans.

"In submitting these bills to Congress, I hope the political leadership will show maturity and responsibility before the country. It would be incomprehensible for the people if after a long debate on such sensitive issues, no results are obtained. Congressmen and political leaders now have a wonderful opportunity to show their efficiency in serving the fatherland.

"Therefore, I invite the legislative branch to open a matured debate on these issues. I am sure Congress, which has contributed to the improvement of the judicial order in Chile, will assume this task with responsibility and courage.

"This is the time for political responsibility. Sometimes I hear people rejecting all dialogue before studying the proposals in detail. Let us be frank, the time has come for those who oppose even minimum changes to reveal their real beliefs to the country. Those who believe national development is the simple accumulation of wealth and who oppose the idea that Chile should develop politically and socially should now clearly say so. It would be healthy to know their real opinion so the people may be well informed and know what to expect from their decisions.

"This is the time for generosity and responsibility. I will personally make the necessary contacts to call for understanding. As my father used to say: 'Asking on behalf of the fatherland is not humiliating.'

"Let us put selfishness and sectarianism aside. Let us never forget that the people are closely looking at the

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behavior and opinions of their political leaders, and hope that on this occasion they will be faithful to the ideal of serving Chile and its people.

Reconciliation, A Permanent Task

"As President of all Chileans, which is the symbol of national unity, my moral and political duty is to see that our fatherland finds reconciliation, heals its wounds, and releases all its constructive and creative potential.

"National objectives are not restricted to a draft law or to the political world. During my administration, I will persevere in creating conditions, promoting initiatives, and paving the way to develop a powerful and uncontainable force in favor of peace and the reconciliation of Chileans.

"Our reconciliation task is broad, permanent and thorough, and it is inserted in the government program we are implementing. My concern for poverty is based on the conviction that in order to have social peace, every Chilean must live under dignified conditions. A country cannot stand up straight if there is a poor group along the way that observes how the others are improving their wellbeing. Every Chilean can, through gestures of solidarity, really contribute to reconciliation.

"Reconciliation does not just involve debating every so often a package of controversial issues. Reconciliation is basically built on a daily basis with a spirit of mutual understanding and cooperation, through multiple gestures that create a large network of fraternal links that make us feel in our own home without fear or mistrust.

"Today, I invite my fellow countrymen to join the noble task of rebuilding the soul of our fatherland. To transform the deficiencies of the past into a common goal of building the future is one of the greatest moral challenges the community can undertake.

Acknowledgements and Invitations

"Before ending this speech, I would like to tell you that in the past few days I have neither felt alone nor pressured by a political debate as some ill-intended parties have reported. Quite the contrary, I have received the understanding and support of the CPPD. Its constructive criticism was always based on the wellbeing of the nation. I hereby thank the presidents of political parties members of the CPPD for their mature attitude and solid support.

"I would also like to extend my gratitude to Chilean churches, not just for their recent advice and suggestions but also for their efforts to achieve reconciliation and solidarity. The churches constitute our most important spiritual patrimony because they contribute to enhance the human dignity of Chileans during harsh and unusual times.

"I enjoy the support of thousands and thousands of Chileans. In the North, among their [earthquake] destroyed homes, I heard their concerns and comments. In the South, where they are surrounded by snow, they asked me 'How is democracy doing, Mr. President?' I thank all of them for their appreciation and love, and I assure them that they are always in my mind when decisions must be made.

"I know that in this undertaking I enjoy the wide support of the people who want me to firmly advance this national reconciliation proposal. This undertaking, begun by [former] President Aylwin whose efforts and achievements are acknowledged by the entire Chilean community, is a difficult path that demands perseverance and tenacity.

"On this occasion, I would also like to ask all opposition parties to offer their cooperation in this initiative. During difficult times for our country, opposition parties have overcome partisan interests. I hope they will adopt a similar attitude now. I deeply appreciate and thank the open-mindedness and initial understanding some of their leaders have shown regarding my proposal.

Final Words

"The wisdom of our people teaches us that reconciliation is synonymous with giving and humbly admitting our mistakes. Just as it is in personal or family life, national reconciliation begins when, in his own way, every individual makes the proper gestures to signal his willingness to start a dialogue and expedite mutual understanding. Each of us who is Chilean must give something of ourselves to achieve this endeavor, particularly those who hold public office, those in the Armed Forces, and those who are members of political parties or citizen groups.

"Fellow Chileans: Let it be known that your president is fully devoted to this task. As I have said from the very first day of my administration, like the majority of young Chilean men and women, my heart is free of malice and antagonism. It is in keeping with this spirit that I wish to sincerely serve my country, encouraged by your support, generosity and goodwill.

"Confident that God looks after our fatherland, I urge each one of you to make your noble contribution to this cause."

Improvisation

After reading his speech in its entirety, President Frei improvised the following words:

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"I urge all Chilean men and women to support me in this beautiful task. I know this is a difficult undertaking that we will achieve by overcoming selfish attitudes. What a lofty and beautiful task it would be for a generation to achieve the reconciliation of their country! There is room for everyone in this undertaking. Let us all do it together with decisiveness, courage, energy, and a noble spirit.

"What matters is the interests of Chile, not the interests of the government or the opposition. Not the interests of one group or another: It is the interests of Chile that matter. In achieving this goal we will give our children and future generations a reconciled country. Good evening."

Reactions to Reconcilation Proposal Viewed

RN, PDC Leaders Express Support

PY2208150395 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 22 Aug 95

[Speakers identified by screen captions]

[FBIS Translated Text] The first reactions to the president's speech have come from the presidents of National Renewal [RN] and the Christian Democratic Party [PDC].

RN President Andres Allamand said Frei's speech was well received by RN members, who are willing to make a positive contribution.

[Begin Allamand recording] The president today did not discuss the specific content of his proposal. In view of this, we must for support it and this is precisely what we will do, namely, support the spirit of his proposal. I believe the president is right on target when he calls for responsibility, generosity, and perseverance. In view of this, I am quite optimistic that we will achieve results.

I believe the president was extremely unpretentious when he said there are no perfect formulas. As the president rightly explained, such an important initiative demands putting aside old issues and concentrating our efforts on building the future.

I truly believe no group will be against an initiative of this nature. Of course there will be some who will be discouraged halfway through and others who would be happy to see it fail, but I am certain that there will a large national consensus that will do everything in its power to approve this proposal. I believe this was made quite clear by the president.

From our point of view, we are willing to make a significant contribution to achieve this objective. I am not saying we will agree on all issues. I am sure there will be much discussion and debate, but the important thing is to have an open mind and a desire to find the best solution. This is our intention. [end recording]

PDC President Alejandro Foxley has said the CPPD [Coalition of Parties For Democracy] will support Frei's proposal. He added that the president's proposal is sincere and that, therefore, it will have a strong impact on national political forces. Foxley said the subjects the president proposed require an overall strategy.

[Begin Foxley recording] We need time to rally the positive attitude that the RN president has just expressed and to show the country that, as the president has just said, Chilean politicians will meet the challenge in a responsible and effective manner.

This is not the time for disputes or disagreements. We must discuss an important national issue and approve an agreement, even if it takes some time.

Once and for all, we must establish the whereabouts of the missing people, who are believed to be dead. Until now, no one has had the courage or been generous enough to supply this information. The administration is proposing the enforcement of a mechanism that will allow us to establish the whereabouts of these missing people.

The administration is also proposing the need to strengthen the authority of the president. Chile is now experiencing a kind of impasse between the military, which sometimes act on the fringes of the law, and a president who is not empowered to retire military officers when they commit excesses.

This proposal also recognizes the fact that, in keeping with the aspirations of the majority of the country, Chile wants peace and stability with solid, democratic institutions. Over 60 percent of Chileans want democratic institutions and a democratic Constitution. This is what the administration intends to achieve.

I believe this is a reasonable and sensible proposal. Those who oppose it will pay a high political price. Any group expressing opposition to this proposal would be very inconsiderate, very selfish. [end recording]

Political Parties React Differently

PY2308003995 Madrid EFE in Spanish 1609 GMT 22 Aug 95

[FBIS Translated Excerpt] Santiago, 22 Aug (EFE) — The main Chilean political sectors, except for the extreme right, the left, and some military officers, today reacted positively to President Eduardo Frei's proposals regarding reconciliation and the perfecting of the democratic system.

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While the ultra-conservative Independent Democratic Union (UDI) stated that President Frei's proposals are unreal and "foolish," the Communist Party termed them "legalization of impunity." [passage omitted]

Retired Army General Jorge Ballerino, former adviser of General Augusto Pinochet, said that Frei is making "a serious mistake" when he says that the military wants special treatment concerning the judicial procedures in which it is involved.

Referring to the amnesty former Chilean President Patricio Aylwin (1990-94) granted to members of leftist groups that confronted the military regime with weapons, he said: "If there is annoyance within the Armed Forces, it is because they have been discriminated against."

He also rejected the modification of the Armed Forces organizational law because it deprives the military "of its role as guarantor of the institutional system."

Sola Sierra, president of the Group of Relatives of Missing Detainees, criticized Frei for not having consulted the victims of human rights violations, and termed his proposals "words that are swept away by the winds."

Jorge Insunza, of the Communist Party Political Committee, recalled that both Frei and Aylwin promised to annul the amnesty law issued by the military regime in 1978, "a promise he has now forgotten," and added that Frei's proposals "reaffirm impunity."

All parties of the ruling coalition supported Frei's initiative, while National Renewal, the main party of the rightist opposition, termed it positive, and expressed its willingness to debate it. [passage omitted]

According to Socialist Party President Camilo Escalona, the feasibility of the initiative does not lie so much in the favorable reaction of the right, but in the profound arguments expressed by Frei. He added that reforms to enhance democracy "are urgently needed." [passage omitted]

Colombia

Valdivieso Interviewed on Year in Office

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[Telephone interview with Prosecutor General Alfonso Valdivieso Sarmiento by Samuel Salazar in the Office of the Prosecutor General in Santa Fe de Bogota; Dario Arizmendi and Judith Sarmiento in Caracol's main studios; Juan Gonzalez of CBS in Washington; and Caracol correspondent Enrique Cordova in Miami; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Salazar] Good morning to you, Dario, and to Caracol's listeners. Today marks the completion of Dr. Alfonso Valdivieso Sarmiento's first year in office. He is preparing a report on his first year of activities and will make some announcements concerning new strategies to speed up the work of the Office of the Prosecutor General of the Republic in the next few hours. We have invited him to participate in Caracol's 0600 to 0900 program, an invitation he so kindly accepted. We are here visiting his office to discuss all topics and issues that have drawn the country's attention.

Good morning, Dr. Valdivieso, I will leave you with the comrades at Caracol's Main Studios, but first please tell us about the announcements you will make today.

[Valdivieso] Today, one year after the beginning of my activities, I intend to report on all the efforts made to strengthen the Office of the Prosecutor General of the Republic in view of the fact that it was, in my opinion, a weak institution. However, I feel that it has improved quite a lot, and it is on the way to consolidating itself.

An institutional reorganization is under way; all sections have been reorganized. It has been a thorough action, particularly with regard to human resources. We have been working on training and on the improvement of personnel administration.

I will report on aspects of our work in the area of criminal policy, our strategy in Bogota, and, of course, the salient points of Judicial Police actions. All this allows us to talk about an office that is much stronger now than it was a year ago.

[Arizmendi] By fate or perhaps as a consequence of historical events, you chose to assume office one year ago, precisely on the fifth anniversary of the assassination of Dr. Luis Carlos Galan Sarmiento, your first cousin. In your opinion, what did Galan Sarmiento represent, what does he represent, and what will he represent?

[Valdivieso] To me, he will always be a person who assumed a firm position to establish a course that society had lost. He tried to rescue Colombia's true values. I believe that Galan established in this country the course, route, and path that many Colombians must follow. I am convinced that this is a commitment we have to him, and it is our biggest responsibility as public servants.

[Arizmendi] Do you feel you are a second Luis Carlos Galan Sarmiento?

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[Valdivieso] No, I feel I am a person with a full commmitment to his ideals and, of course, I am pleased to act with a view to doing everything he wanted to do so that our nation can be what it has to be. I have never had any intention of emulating Galan. I consider him a guide, my inspiration.

[Arizmendi] Mrs. Gloria Pachon de Galan and her three children, who were here in Colombia to participate in the ceremonies to commemorate the sixth anniversary of Dr. Galan's assassination, had to leave the country in a hurry, among other reasons, because of a recommendation you made. What information did your office have about an attack on the Galan family?

[Valdivieso] Gloria discussed the case with the president and me. She said that she could sense some pressures and risks probably, she added, as a result of the effect created by commentaries made on a report issued by the Office of the Prosecutor General [words indistinct] on Luis Carlos' assassination; the climate because of the persecution of the drug trafficking cartels; and also, certain expressions made in newspaper columns with regard to an alleged plot. Therefore, she felt that there were factors that jeopardized her security. Consequently, without much discussion, I personally agreed that those risks could exist and felt that the best thing to do was to go on her hunch, sharing her concern. So, she and her children decided not to participate in the ceremonies, something they have done in previous years.

[Arizmendi] Mr. Prosecutor General, Mr. Andres Pastrana Arango in his 10-minute speech last night on Colombian Television, in keeping with an agreement with the National Television Commission, said that because of the great concentration of power in the president's hands in this presidential system, it would be advisable and healthy — in order for total and opportune justice to be done — for the president to ask for a leave-of- absence and withdraw temporarily from his position. What do you think? Do you feel pressured by the executive branch, by the president, with regards to the investigation you are conducting in the 8000 pretrial process?

Do you believe that Dr. Andres Pastrana's request for the chief of state to temporarily leave his post is advisable and opportune?

[Valdivieso] The Prosecutor General's Office has never felt pressure from the executive branch. Pressure has never been applied to it. What is more, there has always been complete respect between the two. I believe that the needed coordination which we have fostered with the administration has never prevented the Prosecutor General's Office from preserving its complete independence from the administration and that the administration, or course, guarantees and supports this situation.

Regarding Dr. Andres Pastrana's opinion, I will limit myself to reiterating that I will not comment on what I consider to be somewhat political aspects, which are rather a result of judicial decisions. These are political aspects which do not concern me.

[Arizmendi] Talking about the political scene, all national leaders, political party spokesmen, newspaper columnists, and so forth, are all awaiting the results of the 8000 pre-trial process, and have asked that, God willing, the president's situation, and that of this nearest associates, be cleared up as soon as possible.

What can you tell the nation — of course, this is such a complex and extensive process due to the number of folios — when will Colombia have a clear view regarding the number of accusations and imputations made against the chief of state and his campaign people?

[Valdivieso] Regarding the president, I would like to stress that the Prosecutor General's Office does not have the jurisdiction to investigate actions that might compromise his responsibility, that is, penal jurisdiction. As is well-known, the National Congress has that jurisdiction. With regards to other individuals, members of the administration, people who have belonged to the administration, or people who participated in the election campaign, we hope — and this is a very deeply felt desire of the Prosecutor General's Office — to be able to end all these investigations very soon.

At any rate, I cannot have a clear time limit, but I am absolutely certain that the Office of the Prosecutor General would be very satisfied if by the second half of this year it can complete these procedures and move the proceedings to the next phase, if that is appropriate, or attach responsibilities, if that is the case. The idea is not solely to issue indictments, but also to conclude investigations, in those cases that call for it. As I told you this is what is best for the administration of justice, the Office of the Prosecutor General, and most of all, the country, considering — as you also noted — the complexity of the investigations and the effects they may product.

[Arizmendi] Do you believe in the Investigation and Complaint Committee [Comision de Investigacion y Acusacion] of the Chamber of Representatives?

[Valdivieso] I am obligated, as is natural, to carry out [word indistinct] or to believe. I think that this is the idea, when we are talking of institutions that we cannot [words indistinct] or far from it. I am certain that these persons will be up to their responsibilities and be able

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to carry out the mission outlined by the Constitution to establish through a very solid and serious investigations, with which the Office of the Prosecutor General will also cooperate, since our assistance has been requested. [sentence as heard] We hope to have the results that clarify matters and provide the satisfactory answers that the country is expecting.

[Arizmendi] Do you and Assistant Prosecutor General Adolfo Salamanca go in person to the Chamber of Representatives' Complaint Committee or will you do so in writing.

[Valdivieso] We are prepared to declare or give our testimony whenever we are asked. I think this is the duty of a citizen and see no reason why we can make exception. I feel this is a way of cooperating with the administration of justice. We have also asked many citizens to do the same, although on some occasions these summons have been misinterpreted. I think they must be viewed as, say, normal, developments in the course of an investigation. I mean summons to declare or give a testimony in different legal processes.

[Arizmendi] When will the president's wife, Jacquin Strouss de Samper, appear before authorities to give her free testimony?

[Valdivieso] Let's see. Dr. Jacquin Sytroude Samper, the first lady, has not been summoned to give her free testimony. She has not been accused or pointed out during this investigation. She has been called to testify on facts, and she will, under the circumstances and at the place designated by the prosecutors. This procedure should be completed in a few days.

[Arizmendi] When will a faceless judge fly to New York to confirm all of the movements of the reported account or accounts in the Chase Manhattan Bank — accounts that handled the Samper presidential campaign?

[Valdivieso] I still do not know whether this decision has been made. I think an investigator or a prosecutor should be able to check this information by flying directly to the United States. Nevertheless, I don't know.

[Arizmendi] Mr. Prosecutor, in his column "D'Artagnan," Roberto Posada Pena today complained or, rather, lamented that you did not directly took over the case of Defense Minister Fernando Botero Zea and that instead the case was entrusted to some faceless judges. Why was this done?

[Valdivieso] I (?disagree) with the columnist's view, which to a considerable extent is due to the lack of knowledge of the legal proceedings. It has been my purpose to give Botero the best protection possible. We have been following this investigation very closely. There was a very direct (?connection) with the legal proceedings against the former treasurer of Samper's presidential campaign. It was impossible to interrupt the proceedings. Therefore, the so-called regional regular administration of justice should handle Botero's case. And this is what we did. I think it should be clarified that this was not a lack of consideration for Botero. We tried to follow the proper legal procedures, just as Botero himself requested.

[Arizmendi] When will the country hear about the result of the investigation that the Prosecutor General's Office has been conducting regarding the breaking into the office of Prosecutors' Office director, Armando Sarmiento, and the stealing of the documents dealing with Medina's questioning?

[Valdivieso] I am not sure when, but we created a unit made up of two prosecutors and gave them full investigation support. Of course, we also needed [words indistinct]. I expect the Prosecutor General's Office can complete the investigation in September. What happened with those leaks was very serious. As I had warned, these unfortunate leaks have seriously affected the Prosecutor General's Office and reveal the corruption that we fought with great determination during this year of administration and will continue to fight.

[Arizmendi] Mr. Prosecutor, will the Prosecutor General's Office also take charge of the alleged excess financing of all political campaigns that surpass 4 billion pesos authorized by the National Electoral Council, regardless of the origin of these funds?

[Valdivieso] It seems to me that these cases should be dealt with by the respective departments within the National Electoral Council. Regarding with what corresponds to us, we will obtain the information and deal with it accordingly, and, as is natural, if it also reaches the point of presumable criminal conduct regarding those documents and the affirmations that prove untrue, we will also investigate them. It seems that what is clear about this, following certain preliminary investigations and according to what the National Electoral Council has established, is that presumably, these limits were surpassed. That is why, with time, these investigations have been reopened and these accounts reviewed, which as far as I understand, this is the decision that the National Electoral Council made.

[Arizmendi] Has the Colombian financial system been cooperating with the Prosecutor General's Office to track down the near 2,500 checks that the Banking Superintendency was good enough to send, allegedly issued by Cali Cartel front enterprises?

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[Valdivieso] It seems to me that the banking superintendent himself mentioned this in some interviews a few days back, which thanks to this legal process called 8000, the financial system has very importantly decided to comply in a timely fashion with the current ruling and supply information that from time to time should flow from the financial system. It should, in a timely manner, report to the Prosecutor General's Office all abnormal financial transactions, all sudden transactions that grab the attention of the financial system. In this regard, over the past few months we have received substantiated reports, I believe, on the very accounts we are investigating. I must recognize the Banking Superintendency's efficient cooperation and that of the various financial institutions.

[Arizmendi] Will the Prosecutor General's Office ask Dr. Santiago Medina to amplify his testimony after hearing testimony by former Minister Fernando Botero for three days?

[Valdivieso] I do not know. I do not have details on how the investigations are coming along. Of course, this is very probable because this is a way of comparing versions and most probably the president will be questioned — both he and the people whose names come up in the investigation.

[Arizmendi] You told us a few days ago that for various reasons investigations to Messrs. Rodriguez Orejuela have been bogged down, as well as others of the so-called Cali Cartel leaders. Are these cases moving along now? Have these investigations restarted?

[Valdivieso] Yes. Basically, I believe that the reasons are that these are people seem to be linked to several cases. The case files are very large and one must be totally familiar with them. On the other hand, we also have the requests from their attorneys. I believe that these institutions advance normally.

I do not think there are any unjustified delays, and we also hope that soon we will make some progress in defining their legal situations and solving these investigations at the Prosecutor General's Office. These procedures call for joint efforts in our institution, and — as I have said before — they are at a point where some people must be kept under arrest. These also point out certain accusations in order to bring to trial some persons who have been harming the institutional life of our country very much and who have been taking part in extremely serious criminal activities. Of course, the full weight of justice should fall on them.

[Arizmendi] You have officially said that Gilberto Rodriguez Orejuela had confessed such crimes as narcotics trafficking, illegal enrichment, and so forth. Has Miguel Rodriguez Orejuela done likewise?

[Valdivieso] I do not know. During the debates held in Congress, I said that in view of the secrecy of the proceedings, I really could not say anything about this. In other words, even if I knew, I could not comment on this. It seems to me that all of this is part of the proceedings themselves.

[Arizmendi] Is the Prosecutor General's Office entirely devoted to the so-called Case 8000 as some insist? Apparently, the investigations into other cases have been somewhat slowed down.

[Valdivieso] No, not at all. To this effect, I have said that I very much regret the way in which the information... [pauses] the coverage provided by the media has created that impression. No, on the contrary, I think that in addition to Case 8000, we are advancing normally on the issue of narcotics trafficking and in the investigations of the drug traffickers themselves. These investigations follow a normal procedure.

Of course, we at the Prosecutor General's Office are very satisfied with the work we have done this year. We have seen so many results that, without any fear of making a mistake, I must state that justice today is more efficient, and we are recovering the time lost with regards to impunity.

[Arizmendi] Mr. Prosecutor General: In the past you have admitted several times that the drug cartels have (?infiltrated) and corrupted the Prosecutor General's Office. What has been done specifically to eradicate these two evils from the institution?

[Valdivieso] We have taken very strict measures with regards to the officials from our institution who cannot provide guarantees for their actions. In addition, we have dismissed several of them whose actions are not very clear, in order to prevent these infiltrations.

Our supervisory office is permanently conducting internal investigations, and appropriate actions have been taken to upgrade our security system. Immediate supervisors are required to have more direct control over all these infiltrations.

As I have said, I can hardly rule out the harmful influence of drug trafficking in thwarting justice and trying to pressure it or infiltrate all of its entities and instruments, to divert inquiries, or obtain evidences that derail sanctions. It seems to me that is the major effort, and every institution must primarily broach the topic of corruption in a direct fashion.

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[Arizmendi] Have you already obtained the so-called vault where you can keep all the super secret documents that are part of the reserves of these very delicate files?

[Valdivieso] We also have physical areas that are pretty safe. In the vernacular of this office, they are known as the bunkers. We need others. The cumulus of information forced us to make a number of adjustments. We are working on that. In a few days, I think, we will [words indistinct] not just in Bogota but in Cali, Medellin, and [word indistinct], the major cities, the refurbishing of these physical areas that will upgrade the security in the Office of the Prosecutor General.

[Arizmendi] There is much expectation and concern among all the country's segments as they want you to continue at the helm of the Office of the Prosecutor General. Will you stay on until 31 March of next year or 6 August 1998?

[Valdivieso] The Supreme Court of Justice decision stands (words indistinct] the selection was made to complete the term of my predecessor Gustavo De Greiff began in March 1992. That way, that term would end on the same day of March 1996. As everybody knows, however, the State Council has been sued to make the decision adhere to the law and that one may or must understand that the term covers the four-year period. I have always said, I will abide by the State of Council decision.

[Arizmendi] Would you accept, if the ruling said you had to stay only on 31 March 1996, to be included in the three-candidate slate submitted by the president.

[Valdivieso] As far as I understand, that is not possible. I think the Constitution clearly bans the reelection of the prosecutor general.

[Arizmendi] Our CBS colleagues in Washington have been following the entire interview, that is so interesting, precise, and well thought out. We are in contact with editor Juan Gonzalez from Washington who wants to ask you the following question. Juan Gonzalez, you are on.

[Gonzalez] Thank you, Dario. Mr. Minister, there is, shall we say, grave concern in Washington and the major capitals of the world over Colombia's image. Prosecutor General Valdivieso, what can Colombia do at this time to convey something other than the image that exists worldwide and in the continent?

[Valdivieso] I have always thought that when a country has institutions that work and results point in that direction the concern should decrease.

I am convinced that as long as methods to administer justice exist and the judicial system continues to prove, it has the capacity to clarify events and to establish how they came to pass, the system will be able to [word indistinct] appease many of the consuming doubts that are currently harbored because it will be demonstrating that Colombia is a country that is capable of overcoming its crises.

That is why I would like to highlight the fact that Colombia indeed has problems, as does every other country in the world, but in our case these problems are in the process of being solved. There is nothing more important than observing and explaining how our institutions work, and how they are working in this case. In Colombia, I am speaking from the viewpoint of justice, as justice is being administered by the Office of the Prosecutor General of the Republic.

[Salazar] Mr. Prosecutor General: Interior Minister Dr. Horacio Serpa said in Congress that the president is not going to resign, and that he will remain in the post until the very last minute of his term. As the prosecutor general who is investigating this case, do you think this is appropriate?

[Valdivieso] I would like to repeat: I believe that when all of these requests, appeals, and proposals, and even the decision itself, have a political connotation, this prevents me from stating an opinion. Basically, I have to abide by the decisions made within the justice system and at this time would not like to comment on political consequences.

[Sarmiento] Mr. Prosecutor General: Some columnists have commented on the situation the country has been experiencing for some time now, pointing out that there is always a new problem, some new pressure on Colombia in its fight against drug trafficking, and perhaps this is driven home by a news report released today. I would like to ask you what the prosecutor general's office knows about the traffic of heroin, and if it has any investigation underway on this topic, because it was reported in Washington today that one third of the heroin that is currently consumed in the United States comes from Colombia. This was not the case previously; the heroin came from the East. Therefore, on the topic of heroin, what investigations are under way in the office of the prosecutor general?

[Valdivieso] In reality, I have not made an evaluation of the investigations that are under way. I would like to say, however, that today our actions against drug trafficking — and in this case those that have to do with the different judicial processes — undoubtedly include heroin, and this is as it should be. Additionally, and again as far as I know, our efforts at eradication have reached areas in which heroin is being cultivated. Of course, as I have been saying [words indistinct]

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very surprised, and above all deplore the fact that in Colombia, without a doubt, in the past three years the areas devoted to the cultivation of heroin have multiplied.

For this reason, it was essential that these plantations be destroyed immediately as part of the government's strategy and the state's action against drug trafficking. I think we have been successful. The 15,000 hectares planted with poppy that we have destroyed have helped to reduce this problem significantly. We should continue with the eradication process to help deal with this situation. The international community is worried over the fact that Colombia appears to be a sort of power in the production of heroin.

[Arizmendi] We are in a special edition of "Caracol's 0600 to 0900" newscast and talking with Prosecutor General Valdivieso, who today precisely completes one year in his post. We have again established communications with CBS in the United States. Editor Juan Gonzalez wishes to ask Valdivieso a question.

[Gonzalez] Mr. Valdivieso. THE WASHINGTON POST, the prestigious U.S. federal capital newspaper, today carried an editorial on the international affairs page criticizing with skepticism the — let's call them actions — regarding the state of emergency. The first paragraph reads like this: The Colombian president, facing investigations on corruption and drug trafficking, is being heavily criticized for having declared a state of emergency in the country. The second paragraph says that the number of murders and political crimes in Colombia is 10 times larger than in the United States.

The newspaper quotes you, Mr. Prosecutor, saying that in an interview you confirmed that the Spanish terrorist organization ETA [Basque Homeland and Freedom] was linked to plans or had been hired by the drug capos to assassinate you.

My question is this. Could you confirm this report for the world? Is ETA involved in drug trafficking? Is ETA involved in mass killings in Colombia and drug trafficking?

[Valdivieso] As for the first part of your commentary, Colombia's crime situation is indeed very serious. All efforts to correct this situation are welcome. I think these measures could be discussed from a legal viewpoint because they are useful. Colombia must be much firmer and the actions much stricter because we must show results from the fight against organized crime. Such an open criticism of the government decisions on the very serious situation we are encountering sounds groundless to me.

As for your commentary on terrorist actions, we have not confirmed that participation. We can confirm, however, the existence of (?pressures) that point to the probable presence of persons who, making use of a highly sophisticated technology and very advanced knowledge, have prepared at least one explosive device, which we defused.

As experts said, the explosives and their technology could only be attributed to ETA-style terrorist organizations. Of course, we wish to raise an alert on this. It is very important for Colombia to take into consideration the risk of foreign terrorists infiltrating with weapons to attack Colombian officials or properties.

This problem of terrorism is one of the most dramatic affecting the entire world and has caused many regrettable incidents in Colombia.

[Arizmendi] Mr. Prosecutor, since you mentioned the characteristics of the bomb found approximately 1 km from the Office of the Prosecutor General, do you suppose that it was a bomb for you or for the assistant prosecutor?

[Valdivieso] Well, coincidentally, we had been analyzing information that was very worrisome the previous day and on the same morning when the bomb was found a few meters from the Office of the Prosecutor General. Thus, we do not rule out the possibility of a terrorist act against officials of the Office of the Prosecutor General. The bomb was placed on a road we used frequently. Therefore, this has worried us and we have taken precautions and reinforced security measures.

[Arizmendi] Are you fearful? Are you afraid?

[Valdivieso] No. I do not ignore the fact that fear can affect any human being. I feel very sure of what I am doing. But, most of all, the responsibility of my position forces me to offer full guarantees with regard to the fulfillment of my duties. I have said that threats can never affect my independence, my autonomy, and my freedom to act, otherwise, I would immediately cease to be the country's prosecutor general. Rest assured that we know about the evil intentions of organized crime, but at the same time, we assume our responsibility with courage and determination. Undoubtedly, this is the trend and the attitude of those of us who are in charge of these responsibilities at the Office of the Prosecutor General.

Consequently, threats to prevent us from doing what we are doing in our condition as members of the institution in charge of criminal investigation of Colombia, are useless.

[Arizmendi] Do you believe in God's plan?

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[Valdivieso] Not so vehemently, but I do feel that there is a spiritual aspect in the role we play in our passage through this world, as it is said.

[Arizmendi] How has your family reacted in the face of the threats you received for your actions as the head of the Office of the Prosecutor General?

[Valdivieso] The family is affected, there is no doubt about that, but there is a good dosage of understanding for the extent of my responsibilities. There is also a lot of courage among my family members which is very encouraging. I have never gotten any hysterical reactions. We are very much aware of what we have to do.

[Arizmendi] Caracol is working together with the CBS of the United States. We are united today on the sixth anniversary of Galan Sarmiento's assassination and the first anniversary of Valdivieso Sarmiento's term in office. Juan Gonzalez from Washington has another question.

[Gonzalez] Many thanks; I have a question for the minister, there are three things that worry me very much, and I would like to know about, which are: for example, yesterday some media interviewed in Paris Luis Carlos Galan's widow, and she gave some indications that the homicide investigation could be reopened. I would like to explore the possibility of whether Colombia's Prosecutor General's Office can comment on this. Something else that especially interests us — forgive me, Mr. Minister, that I am asking two or three questions at a time, but I want to take advantage of this great opportunity — is the United States right now offering some sort of legal-technical advice to the Ministry you represent in order to try the people involved in drug trafficking? Any sort of material assistance?

The last question is about some concern among residents in the United States, and I am referring to your fellow Colombians. Apparently the state of emergency in your country and the so-called institutional crisis, which is what it is now being called, has caused currency to drop dramatically in comparison to the dollar, or what turns out to be the same, the dollar has strengthened. To what extent has the Colombian Government or how much do you believe can the government help to try to avoid a greater collapse of the peso?

[Valdivieso] Regarding the first question, the Prosecutor General's Office, as a result of an evaluation carried out over the past few months, has decided to reopen this investigation. There are elements and aspects of the investigation itself that were really not analyzed, hypotheses that were not taken into account. Of course, six years after the assassination, we do not believe we have every possibility of establishing how these events took place. But I believe that this new investigation can yield important results.

Regarding U.S. participation or support in the struggle against drug trafficking, I must leave on record the importance of the legal cooperation. I believe this is very useful and necessary, which of course we have been receiving, and we would like it to be even greater every day.

On the topic of the economic situation, it is very difficult to attempt to see the effects on the value of currency to the various walks of life. For a long time, here in Colombia, there have been complaints that the peso is overvalued. I believe that Colombian exports have been very affected by the peso to dollar exchange rate due to this overvalue of the Colombian peso. Now the situation has changed, and I believe that this phenomena gives Colombian exporters and producers a breather. Of course, this could affect importers. But I believe that in Colombia these economic parameters have always been handled very consistently and that is why I am not alarmed. It seems to me that the evolution of the Colombian economy has been and should continue to be very, very satisfactory because decisions have been coherent and secure.

[Arizmendi] Mr. Prosecutor General, again dealing with the assassination of Dr. Luis Carlos Galan Sarmiento, do you agree with the idea, after looking into the case, that his death was not only due to the Cali Cartel and to drug trafficking sectors in Colombia, but that also certain sectors of Colombian political classes took part as alleged masterminds?

[Valdivieso] I can only share the idea. As far as the Prosecutor General's Office is concerned, it is absolutely clear that certain things were not taken into account or different hypotheses were not considered to what turned out in the end to be mistaken. This is the point up to now. In other words, any other hypothesis has not been taken sufficiently into consideration. This is what leaves room for plenty of speculation for the time being.

We hope that for the sake of the investigation and probably for certain future results, when this new prosecutors' commission takes office it will tell us how the investigations are coming along.

[Arizmendi] This is a special cast, and we very grateful to Prosecutor General Alfonso Valdivieso Sarmiento for his time to clarify major aspects of the activities being conducted at the Office of the Prosecutor General, especially today when he marks an anniversary at the helm of this office. The Caracol news center in Miami and CBS in Washington have joined this broadcast and

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Enrique Cordoba has the following question for the prosecutor general.

[Cordoba] Thank you. The prosecutor has said he is prepared and is proud to act to further the postulates of Luis Carlos Galan Sarmiento. Would you be prepared to capitalize on the moral postulate bequeathed by Galan (?to advance) a political future in Colombia?

[Valdivieso] I clearly understand the role I must perform in the institution I am now heading. I have always ruled out any political motivation. On this matter, I have refrained from making any comments, as can be expected. I my opinion, the important thing is to properly fulfill my responsibilities, and I believe I am doing that. Regarding the outlook of a political future, I cannot and must not hint at or comment on something that removes me from the conviction and commitment to act with absolute devotion and full awareness of what I am doing to fulfill my current duties as prosecutor general.

[Cordoba] You cannot deny that you like politics.

[Valdivieso] I have been trained in public and political activities. I served in the Congress for a decade and have been in public office on other occasions. Of course, it seems to me that it is very important for Colombia to show a great capacity to strengthen its institutional system and democratic life. I, of course, cannot ignore that to a large extent the action of justice and the activity the Office of the Prosecutor General conducts right now can very well contribute to consolidate and strengthen our democratic institutions.

[Arizmendi] Juan Gonzalez will pose the next to last question.

[Gonzalez] The concern exists in Colombia and all over Latin America. It is as follows, would you as part of your functions support the death penalty in the country for extreme offenses such as drug trafficking, mass murders, and the like. Would you support the death penalty?

[Valdivieso] I can understand the anguish of many Colombians, even distinguished figures in public administration and the administration of justice. They have considered viable such consequence of criminal activities. I do not share that view. I think we must enforce punitive measures in Colombia with penalties other than the death penalty to handle organized crime. The important thing is to reduce impunity significantly, so that there are consequences for crimes, so that in Colombia we do no have the large number of cases where judicial action is seen from the standpoint of the consequences, in terms of penalties, but, again, (?I would not reach) those extremes. I do not think the situation requires it, and I think this is a measure that our historical evolution has left behind.

[Arizmendi] As we come close to the end of this interview, Mr. Valdivieso, when it is suggested that you handle certain processes, it is because your impartiality is recognized almost unanimously and you are highly respected. Still, there are some misgivings by some sectors as to whether the other judges, your fourth, or fifth underlings may act prompted by political motivations of any kind with regard to all those processes, such as those being conducted on some public officials? How do you feel about that?

[Valdivieso] I have received with gratitude those expressions that, as you said, reflect confidence in me. At the same time, I have wanted to make that confidence extend to my officials.

[Valdivieso] I am determined to do my work as prosecutor general and see to it that we enforce justice within the institution with sufficient objectiveness as well as with sufficient discipline. I hope that all the public prosecutors of Colombia will merit the same confidence.

[Arizmendi] I have two final questions, and excuse me for being so bold. Are you vain?

[Valdivieso] No, not at all.

[Arizmendi] How would you describe Dr. Alfonso Valdivieso Sarmiento?

[Valdivieso] I think I am very duty bound and inspired on my convictions, and I am very clear about them. At the same time, I admit my own limitations. I like to work with persons who feel they belong to a team. I think that is most important in creating a work atmosphere. We must realize that together we can reach our goals. I think that is what has been done this year at the Prosecutor General's Office. As I said in the beginning, we have today a more solid institution than we had one year ago. After all, it was a budding institution and our duty is to leave a Prosecutor General's Office that is stronger. I hope that later on we will be able to speak in a more conclusive manner and eliminate that past notion that we had more prosecutors in Colombia than prosecutors' offices. We were not referring to the prosecutor general, but to all the prosecutors and all of the institution. Thus, we are working to overcome that idea that I observed at one time and which I saw was true at one time. I repeat, we are making progress and surpassing that idea.

[Arizmendi] Yes. We were told that Dr. Mario Galan, the father of Dr. Luis Carlos Galan, said in an interview with Diana Sofia Giraldo that he had a vision — as you know, he is fond of certain practices of that nature

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— that the spirit of Dr. Luis Carlos Galan had been reincarnated in you. What do you think about that?

[Valdivieso] Well, I heard that story last night. He did not say it exactly that way, but he did mention that there were some similarities, that my training, that the manner in which I have followed Luis Carlos' thoughts could point out that in fact that I might be carrying out some of his plans and ideas of what our country should be like. At any rate, that was very generous of him, and I am very grateful for his remarks, for everything that has been the result of the influence of Mario Galan Gomez.

[Arizmendi] As man of the year in Colombia — that is undeniable, and I would add as man of the year in the world for what the struggle against narcotics trafficking and corruption has represented for justice — do you feel proud?

[Valdivieso] No, fortunately, I have always had the same attitude with regard to my work. I would say that I will continue working with the same sincerity with which I have worked up to now. I do not see why one should change one's way of being and attitude with respect to the responsibility we have, regardless of its importance.

[Arizmendi] Do you not fear that due to the key role you are playing and the constant praise about your work, you might eventually commit some injustice while in office, particularly against some individuals?

[Valdivieso] No, never, never. I am very clear about that. I will continue to offer full guarantees so that the public will fully believe, will fully trust, and will be absolutely certain that we will continue to apply the same sense of fairness and justice to all decisions made at the Office of the Prosecutor General. We will not act just to get results, going against the law, that would be unfair and irrational.

[Arizmendi] To end, Mr. Prosecutor, do you promise Colombia and the world that you will take this Process 8,000 to the final consequences regardless of whose heads will roll?

[Valdivieso] Yes, Dario, this is something of which all Colombians must be certain. Frankly, I have offered full guarantees from the very beginning. However, it is not strange that sometimes there are doubts. But I keep saying it. This has always been my behavior. I cannot be any different. The fulfillment of my duty imposes the obligation to continue this investigation, just like other investigations in the hands of the Office of the Prosecutor General must be continued. It will not be suspended abruptly when — from the judicial standpoint — conditions indicate that they must be continued. We will follow through with it until the end, fully guaranteeing the due process of law and, of course, with all the consequences involved.

[Arizmendi] Mr. Prosecutor, thank you for spending one hour with Caracol Network, the CBS in Washington, and with Caracol, Miami. Have a happy day on your anniversary as head of the Office of the Prosecutor General.

Guyana

President, Cabinet Meet on Gold Mine Spill

FL2208151895 Bridgetown CANA in English 1453 GMT 22 Aug 95

[FBIS Transcribed Text] Georgetown, Guyana, Aug 22, CANA - The Guyana cabinet is meeting Tuesday as reports continue to come into the capital of hazardous cyanide waste pouring into the Essequibo River, 48 hours after the tailings pond dam at the Omai gold mines broke.

President Cheddi Jagan is presiding over this his first cabinet meeting since he returned from the Association of Caribbean States (ACS) Summit in Trinidad and Tobago Sunday night.

A source at the office of the president told CANA the Omai disaster is the top agenda item.

A release issued by Prime Minister Sam Hinds last night reported that a visible plume of cyanide at 2 p.m yesterday was sighted 45 miles from Canadian-owned Omai Gold Mines Limited (OGML) mile at Rockstone/ Anarika, a quarrying operation on the Essequibo River.

This would mean that Tuesday, the cyanide plume would be approximately 20 miles from the mining communiy of Bartica which has a population of some 20,000.

Hinds, who has responsibility for the mining sector said it was estimated that 1.25 million cubic metres of cyanide-tainted water with a concentration of 28 ppu (parts per million) had been dumped into the Essequibo river as a result of the spill.

This is 14 times more than had been agreed between the majority Canadian-owned company and government for controlled emmission into the Essequibo river whenever conditions were appropriate.

Hinds' statement said it was estimated that a further 0.75 million cubic metres may reach the river from the Omai site at the rate at which cyanide effluent was still pouring from the mine.

Government teams have been plying the river and using helicopters to warn people not to [word indistinct] to fish "until further notice".

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Cyanide Flow Continues Into Omai, Essequibo Rivers

FL2208204595 Bridgetown CANA in English 1925 GMT 22 Aug 95

[By Courtney Jones]

[FBIS Transcribed Text] Georgetown, Guyana, Aug 22, Cana — Four days after millions of gallons of cyanide waste from a giant gold mine in Guyana's interior started escaping into its largest river, a top official of the mining company says the highly dangerous chemical is still escaping into the river.

Human resources manager of Omai Gold Mines Limited (OMGL), Norman Maclean, told CANA during a telephone interview from the mine site in the central Guyana jungle that the company is still battling to "try to arrest the flow (of cyanide) into the Omai River," a tributary of the Essequibo River. "We have come up with a three-point plan which we have already started to put in motion," he added.

The plan involves :

1. Pumping tailings effluent into the fennel pit;

2. Building a dam across the flow which is leaking out into the Omai River.

3. Filling the holes which have been created into the dam.

Maclean, a former major general in the Guyana Army, said there had been a "dramatic reduction in the flow (of cyanide effluent) in the Omai River." He added the company's scientists had discovered that the level of cyanide in the Essequibo River had dropped: "The drop in the level of cyanide in the river is well below the drinking water level which has been established..." Maclean said in what experts here are describing as a "very strange" statement, given the volume of cyanide-waste that has been flowing into the river from the mine site.

Omai Gold Mines, Limited is majority owned by Cambior and Golden Tar Resources Limited, two Canadian companies, with the Guyana Government having five percent of the shares. Omai produced 250,000 ounces of gold last year from its mine, regarded as the largest open-pit gold mine in South America. It employs 900 Guyanese workers.

In response to a question about when the flow of cyanide from the mine would be stopped, Maclean gave a tentative estimate of two days. This would mean that cyanide waste would be flowing into the Essequibo River until at the earliest Thursday. Maclean said the company has been providing water to residents along the banks of the Essequibo River "as a safety measure."

"At Bartica, the government has been delivering water, and we are adding to that by assisting them with the provision of a truck, tanks, and a pump."

The company has flown in an international specialist in aquatic toxicology, Menno R. Speyer, and a specialist doctor in occupational health, Dr. Michael James, who will join Cambior's vice president, Norman Bedard, and environmental manager, Serge Vezina, in working with Health Ministry officials visiting communities along the Essequibo River Wednesday.

"We have no reports of anybody being injured or getting sick, and in terms of fish in the Essequibo River, we have not witnessed any fish kill up to this time" Maclean said.

A release from the mine site Tuesday said president and chief executive officer of Cambior Inc., the parent company of Omai Gold Mines Limited (OMGL), Louis Gignac, has taken "direct charge of operations" at the mine site some 150 miles south of the capital in the Guyana jungle.

"Total cyanide readings taken at 1:20 PM at Sherima, forty-seven miles downstream from Omai, yesterday afternoon (Monday) were .009 ppp (parts per million), well below the drinking water safety standard for human consumption, comsumption at .002 ppm," the Omai statement said.

Reports from government officials in the interior have been vague. The government administrative officer for the region in which the cyanide spill occured, Brentnol Archer, based at Bartica some 90 miles down river from Omai, told CANA Tuesday he has had no reports of anyone being ill nor had reports reached him of dead marine or animal life.

The local Ministry of Health Monday afternoon issued a cyanide advisory urging residents along the Essequibo River, including Bartica and nearby islands, not to use water from the river. The Ministry warned residents not to use fish and shrimp from the Essequibo River as it was still not clear what cyanide levels were present in different parts of the river.

"Cyanide is known to be toxic to all forms of life. Even small concentrations are lethal to aquatic life and are certainly harmful to human beings," the Ministry cautioned. It said government was seeking help from the Pan American Health Organisation (PAHO) to deal with the crisis.

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Spill Forces Government To Recommend People Not Eat Fish

PA2208235395 Mexico City NOTIMEX in Spanish 2057 GMT 22 Aug 95

[FBIS Translated Text] Georgetown, 22 Aug (NOTIMEX) — The Guyanese Health Ministry today recommended people abstain from eating fish from the country's northern rivers after a toxic waste spill in their waters on 19 and 20 August.

Health authorities banned the consumption of fishing products from the Omai and Essequibo Rivers in light of the possibility of their waters having been contaminated by a cyanide spill in the region due to an accident in the local mining industry.

Guyanese Prime Minister Sam Hinds today explained that approximately 65,000 cubic meters of toxic liquids belonging to the Canadian company "Omai Gold Mines" spilled in the Omai River on 20 August. He added that the government is analyzing the possibility of decreeing a "state of national disaster," but that it has opted to wait one week before making a definite decision, while it evaluates the damage the accident caused.

Health Ministry sources pointed out that the government is awaiting the dissolution of the pollutants in the river currents and that, in the meantime, residents of the adversely affected area must abstain from using the river's water or products to cook.

"The dissolution (of the spilled substances) could be uniform, but it could also happen once the cyanide flows into the Essequibo River (at the border with Venezuela)," a Health Ministry spokesman told the media.

Authorities also fear that the mining community of Bartica, 96 km from Georgetown, could be adversely affected, and they are studying the possibility of fining the Canadian company, which must pay for all the cleanup activities in the area.

The spill, which took place on 20 August, forced the closing of the "Omai Gold Mines" mine, believed to be one of the largest mines in South America, for a six-month period, which will elicit losses of more than 3 million ounces of gold, according to local reports.

In a bulletin, the company's directorate affirmed that the spill was the result of a leak in one of its wells and that it will try, by any means available, to stop the leak and reduce the harm to the region's flora and fauna.

According to government reports, the spill also adversely affected the Bartica River, which supplies water to the namesake mining town.

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